

Effect of the Proposed Change of Governance of
Saint John's Health Center on the
Availability or Accessibility of Healthcare Services

Prepared for the Office of the
California Attorney General

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Table of Contents

INTRODUCTION AND PURPOSE	3
BACKGROUND AND DESCRIPTION OF THE TRANSACTION	5
THE SISTERS OF CHARITY OF LEAVENWORTH HEALTH SYSTEM	5
HISTORY AND DESCRIPTION OF SAINT JOHN’S HEALTH CENTER	5
REASONS FOR THE CHANGE IN GOVERNANCE	7
TRANSACTION PROCESS AND TIMING.....	7
AFFILIATION AGREEMENT.....	9
USE OF NET SALE PROCEEDS	11
PROFILE OF SAINT JOHN’S HEALTH CENTER.....	12
OVERVIEW OF THE HOSPITAL	12
KEY STATISTICS	12
PROGRAMS AND SERVICES	13
ACCREDITATIONS, CERTIFICATIONS, AND AWARDS	15
SEISMIC ISSUES	15
PATIENT UTILIZATION TRENDS	16
PAYER MIX	18
MEDI-CAL MANAGED CARE	19
MEDICAL STAFF	20
FINANCIAL PROFILE	21
COST OF HOSPITAL SERVICES.....	22
CHARITY CARE.....	22
COMMUNITY BENEFIT SERVICES.....	25
PROFILE OF PROVIDENCE HEALTH & SERVICES	28
KEY STATISTICS	29
QUALITY & AWARDS	30
COMMUNITY BENEFIT SERVICES.....	31
LOCATION OF HOSPITALS OWNED BY PROVIDENCE HEALTH AND SERVICES-SOUTHERN CALIFORNIA AND SAINT JOHN’S HEALTH CENTER	33
PROVIDENCE HEALTH SYSTEM-SOUTHERN CALIFORNIA HOSPITALS	34
ANALYSIS OF THE HOSPITAL’S SERVICE AREA	35
SERVICE AREA DEFINITION	35
SERVICE AREA MAP	36
DEMOGRAPHIC PROFILE	37
SERVICE AREA MEDI-CAL ELIGIBLES	39
SELECTED HEALTH INDICATORS	40
2010 COMMUNITY HEALTH NEEDS ASSESSMENT	42
HOSPITAL SUPPLY, DEMAND, AND MARKET SHARE	43
HOSPITAL MARKET SHARE	44
MARKET SHARE BY SERVICE LINE	46
MARKET SHARE BY ZIP CODE	47
SERVICE AVAILABILITY BY BED TYPE	48
MEDICAL/SURGICAL CAPACITY ANALYSIS	48
INTENSIVE CARE UNIT/CORONARY CARE UNIT CAPACITY ANALYSIS	49
OBSTETRICS CAPACITY ANALYSIS	50
NEONATAL INTENSIVE CARE UNIT CAPACITY ANALYSIS	51
EMERGENCY DEPARTMENT CAPACITY ANALYSIS.....	52
SUMMARY OF INTERVIEWS	54
REASONS FOR THE PROPOSED TRANSACTION	54
SELECTION OF PROVIDENCE FOR THE AFFILIATION TRANSACTION	55
IMPORTANCE OF THE HOSPITAL TO THE COMMUNITY	56
EXPECTATIONS OF THE CHANGE OF GOVERNANCE	57

VIEWS OF REGIONAL HEALTH PLAN REPRESENTATIVES	58
IMPACT ON THE AVAILABILITY AND ACCESSIBILITY OF HEALTHCARE SERVICES	58
OTHER ISSUES OF THE AFFILIATION	58
ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE AVAILABILITY OR ACCESSIBILITY OF HEALTHCARE SERVICES	59
CONTINUATION AS A GENERAL ACUTE CARE HOSPITAL.....	59
EMERGENCY SERVICES	59
MEDICAL/SURGICAL SERVICES	59
INTENSIVE CARE/CORONARY CARE SERVICES	59
OBSTETRICS SERVICES	60
NEONATAL INTENSIVE CARE SERVICES	60
REPRODUCTIVE HEALTH SERVICES	60
EFFECTS ON SERVICES TO MEDI-CAL, COUNTY INDIGENT, AND OTHER CLASSES OF PATIENTS	60
EFFECTS ON THE LEVEL AND TYPE OF CHARITY CARE HISTORICALLY PROVIDED	61
EFFECTS ON COMMUNITY BENEFIT PROGRAMS.....	61
EFFECTS ON STAFFING AND EMPLOYEE RIGHTS	61
EFFECTS ON MEDICAL STAFF	61
ALTERNATIVES.....	62
CONCLUSIONS	63
POTENTIAL CONDITIONS FOR TRANSACTION APPROVAL BY THE CALIFORNIA ATTORNEY GENERAL	63
RECOMMENDED ACTION	64
APPENDICES.....	65
LIST OF INTERVIEWEES.....	65
HOSPITAL LICENSE.....	66

INTRODUCTION AND PURPOSE

Saint John's Health Center, a California nonprofit public benefit corporation (Saint John's), owns and operates Saint John's Health Center, a general acute care hospital located in Santa Monica, California (the Hospital). The Sisters of Charity of Leavenworth Health System, Inc., a Kansas not for profit corporation (the Sisters) is the sole corporate member of Saint John's. Saint John's and the Sisters have requested the California Attorney General's consent to enter into an affiliation with Providence Health System – Southern California, a California nonprofit religious corporation (Providence) whereby Providence will replace the Sisters as Saint John's sole corporate member.

The Sisters and Providence are multi-institutional Catholic health systems that are sponsored by a Public Juridic Person. A Public Juridic Person is a group of persons approved by the Roman Catholic Church to oversee and ensure that the mission of its healthcare organization is carried out according to Catholic principles. Leaven Ministries is the sponsor for the Sisters. Providence Ministries is the sponsor for Providence and is co-sponsored by the Sisters of Providence and the American Province of the Little Company of Mary Sisters.

Saint John's is the sole corporate member of Saint John's Hospital and Health Center Foundation, a California nonprofit public benefit corporation, and John Wayne Cancer Institute, a California nonprofit public benefit corporation.

Saint John's also owns and operates the Child and Family Development Center located at 1339 20th Street, and the MRI building, located at 2042 Santa Monica Boulevard.

This report, prepared for the Office of the California Attorney General, describes the possible effects that the proposed change in governance may have on the accessibility or availability of healthcare services in the area served by the Hospital.

Medical Development Specialists, LLC (MDS), a healthcare planning and policy consulting firm, was retained to prepare this report. In its preparation, MDS has utilized the following:

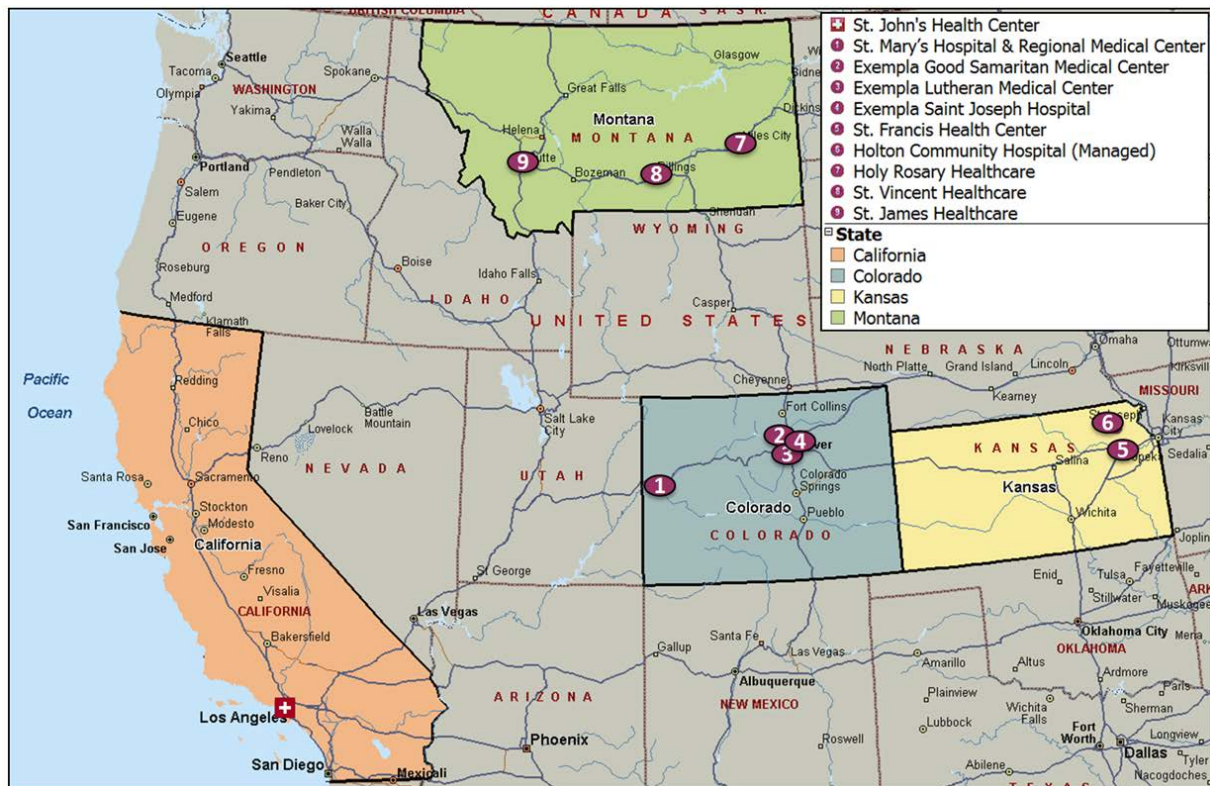
- A review of the application submitted by Saint John's to the California Attorney General on September 16, 2013 and supplemental information and documents subsequently provided by the Hospital and the Sisters;
- A review of various press releases and news articles related to this and other hospital transactions;
- Interviews with community representatives, representatives of the Hospital's medical staff, management, and Board of Directors, Providence's representatives, health plan representatives, and others listed in the Appendices;

- An analysis of financial, utilization, and service information provided by the Hospital's management and the California Office of Statewide Health Planning and Development (OSHPD); and
- An analysis of publicly available data and reports regarding the Hospital's service area including:
 - Demographic characteristics and trends;
 - Payer mix;
 - Hospital utilization rates;
 - Health status indicators; and
 - Hospital market share.

BACKGROUND AND DESCRIPTION OF THE TRANSACTION

The Sisters of Charity of Leavenworth Health System

The Sisters of Charity of Leavenworth Health System is a Catholic, nonprofit healthcare organization based in Denver, Colorado, that currently owns or controls nine hospitals including the Hospital, a children's mental health center, four safety net clinics, and more than 100 ambulatory service centers in four states – Colorado, Kansas, Montana and California. The Sisters of Charity of Leavenworth Health System also manages one other hospital in Kansas and has over 14,000 full-time employees.



History and Description of Saint John's Health Center

In 1939, the Sisters of Charity of Leavenworth came to Santa Monica and began raising funds to build and operate a community hospital. Construction began in 1941. On October 25, 1942, the Hospital began operating with 89 beds. Today, the Hospital is located at 2121 Santa Monica Boulevard, Santa Monica, California, and is a general acute care facility licensed for 266 beds.

In 1994, the Northridge earthquake caused extensive damage to the Hospital and forced hospital services to close down for nearly nine months. It was the only hospital in Southern California that was forced to shut down all inpatient services after the earthquake. Rather than rebuild the damaged facility, an entirely new medical center was built at a cost of \$500 million. Presently, the Hospital is comprised of two connected buildings: the Chan Soon-Shiong Center for Life

Sciences that opened in 2005, and the Keck Diagnostic and Treatment Center that opened in 2009.

The Chan Soon-Shiong Center for Life Sciences is a four-story, 205,000-square-foot inpatient facility that supports critical care, oncology, orthopedics, cardiac, and telemetry units. The Keck Diagnostic and Treatment Center is a four-story, 285,000-square-foot facility that supports outpatient oncology and radiation services, the emergency department, surgical and cardiac catheterization suites, and the Women's Health Center.

Saint John's Hospital and Health Center Foundation

Saint John's is the sole corporate member of Saint John's Hospital and Health Center Foundation (the Foundation). The Foundation was incorporated in 1974 to advance the mission and goals of the Hospital. The Foundation is governed by a Board of Directors that ensures adherence to the vision of the Hospital and provides the financial support for the Hospital's capital, equipment, and programmatic needs.

The Foundation is responsible for identifying gifts for capital projects, programs, and community outreach. Donor support contributed approximately half of the funds for the construction of the new replacement facility. In 2012, the Foundation funded:

- **The Cancer Institute**, in the amount of \$3,664,850 for cancer research;
- **The Hospital**, in the amount of \$3,320,000 to assist in the rebuilding of the main hospital building; and
- **The Child and Family Development Center**, in the amount of approximately \$500,000 for training and operational support, including a remodel of the center.

John Wayne Cancer Institute

Saint John's is the sole corporate member of the John Wayne Cancer Institute (the Cancer Institute). The Cancer Institute, previously known as the John Wayne Cancer Clinic at UCLA, was formed by the Wayne Foundation. In 1991, the Cancer Institute affiliated with the Hospital and opened a facility in Santa Monica, California. It is located across the street from the Hospital, and conducts multidisciplinary basic, clinical, and translational research on many complex cancer problems, focusing in particular on melanoma, breast cancer, prostate cancer, colon cancer, neuroendocrine cancer, gastro-intestinal cancer, and sarcoma.

The Cancer Institute has a surgical oncology fellowship program that is recognized as one of only 17 training programs in the United States approved by the Society of Surgical Oncology, and has trained over 100 surgical oncologists.

Child and Family Development Center

Saint John's owns and operates the Child and Family Development Center. Founded in 1962, it provides comprehensive mental health, outreach, developmental, and educational services to children and families within the community. Services provided include: child and family outpatient mental health services, mental services for deaf and hard-of-hearing individuals, therapeutic and treatment programs for children up to five years of age, community outreach, training, and research, and parent education. Services are offered at the center, at school sites, in residences, and in the community.

MRI Building

Saint John's owns and operates the MRI building located at 2042 Santa Monica Boulevard. The MRI building has a Siemens 1.5 Tesla MRI scanner and is used for imaging overflow and patients that are not able to use a 3 Tesla MRI scanner (due to implantable devices, etc.).

Vinserra

Vinserra is a for-profit corporation that is owned by Saint John's for the purpose of participating in joint venture agreements. It is a party to several ground leases and joint ventures in an ambulatory surgery center and an imaging center.

Reasons for the Change in Governance

Over the last few years, Saint John's, the Sisters, and Leaven Ministries engaged in a process of assessing long term strategic direction. As a result of their assessments, in July 2012, the Sisters and Saint John's agreed to a letter of intent where the Sisters would resign as the sole corporate member of Saint John's and Saint John's would secure alternative Catholic sponsorship. When negotiations failed to conclude in an agreement, the Sisters initiated a process in early 2013 to seek a Catholic healthcare system to become the successor sponsor for Saint John's. The reasons cited for the Sisters' decision include the following:

- The Hospital is located in an intensely competitive environment and is the Sisters' only affiliate in California. It operates without a supporting network of other local hospital facilities and physician groups and is essentially a stand-alone and isolated facility;
- Under its current structure, the Hospital would not be able to achieve acceptable operating and financial performance; and
- The Hospital is not supported by a broad enough integrated physician network.

Transaction Process and Timing

The primary objective stated by the Sisters for the proposed affiliation is to ensure a sustainable future for the Hospital and its affiliated entities. In order to accomplish this goal, the Saint John's

Board of Directors and the Sisters' Board of Directors, set forth the following objectives:

- Preserve and strengthen the Hospital's national reputation for high quality healthcare in the Catholic tradition;
- Maintain and improve patient care and access in the service area, especially for those who are poor and underserved;
- Continue the commitment to the Hospital's clinicians and associates and to the communities they serve;
- Create a broader network of integrated healthcare providers within Southern California that also preserves the Catholic identity and heritage of the Hospital;
- Position the Hospital for population health management and other aspects of healthcare reform; and
- Identify a strategic partner with a successful history in operating Catholic healthcare facilities in California and the financial wherewithal to support the Hospital.

The two Boards of Directors selected Providence as an affiliation partner because they believed Providence's proposal most closely met the transaction objectives and would provide the Hospital with the best opportunity to continue providing healthcare while sustaining the Hospital's mission and commitment to the communities it serves. Saint John's mission states "We reveal and foster God's healing love by improving the health of the people and communities we serve, especially those who are poor and vulnerable." Providence's mission states "As People of Providence we reveal God's love for all, especially the poor and vulnerable, through our compassionate service." As Catholic organizations, the Sisters, Providence, and Saint John's and their operations, are governed by, and are subject to, the Ethical and Religious Directives¹. The chronology of events regarding this transaction is as follows:

- January 2013 – Request for Proposal process is initiated by soliciting bids from four Catholic-sponsored health systems, three of the four have facilities in Southern California;
- February 1, 2013 – Providence presents an "Indication of Interest";
- February 1 - March 19, 2013 – Two other potential bidders, including one unsolicited entity, present an "Indication of Interest";

¹ The Ethical and Religious Directives for Catholic Healthcare Services were developed by the Committee on Doctrine of the National Conference of Catholic Bishops and approved as the national code by the full body of bishops at its June 2001 General Meeting. The purpose is to "reaffirm the ethical standards of behavior in healthcare that flow from the Church's teaching about the dignity of the human person, second, to provide authoritative guidance on certain moral issues that face Catholic health care today."

- May 15, 2013 – The Saint John’s Board of Directors passes a resolution to authorize the development of a Letter of Intent with Providence;
- May 22, 2013 – The Sisters’ Board of Directors passes a resolution to authorize the development of a Letter of Intent with Providence;
- June 27, 2013 – The Sisters and Providence enter into a Letter of Intent;
- August 2013 – Saint John’s employees are given the opportunity to ask questions or express any concerns regarding the status of the transaction with Providence;
- September 13, 2012 – The Sisters and Saint John’s enter into an Affiliation Agreement with Providence;
- September 16, 2013 – Saint John’s informs its employees, medical staff, the Foundation, and other stakeholders that an Affiliation Agreement had been signed with Providence; and
- September 16, 2013 – Saint John’s provides notice of the proposed affiliation and requests the California Attorney General’s consent.

Affiliation Agreement

The proposed Affiliation Agreement, dated September 13, 2013, contains the following major provisions:

- The Sisters will resign as the sole corporate member of Saint John’s, and Providence will replace the Sisters as the sole corporate member of Saint John’s;
 - The Sisters shall cease to have or exercise any reserved powers or other rights with respect to the membership or governance of Saint John’s.
- The Catholic sponsorship of Saint John’s will transfer from Leaven Ministries to Providence Ministries;
- Providence plans to request the approval of the Foundation’s Board of Directors to become part of Providence Health and Services by adopting amendments to the Foundation’s articles of incorporation and bylaws;
- Saint John’s will adopt the same charity care policies applicable to all other Providence’s healthcare facilities located in Los Angeles County;
- Assets included in the Affiliation Agreement include, but are not limited to, the following:

- All real estate owned and located in the State of California including buildings, structures, facilities, all fixtures, easements, licenses, etc.;
 - All machinery, equipment, tools, and other items of tangible personal property located in the State of California;
 - All inventories located in the State of California;
 - All accounts receivable and other rights to payments;
 - All applicable contracts;
 - All equity securities in Vinserra; and
 - All other assets and properties, real, personal or mixed, tangible and intangible, that are used solely and exclusively in connection with the ownership and operation of one or more of the affiliates owned or held by the Sisters.
- Assets excluded from the Affiliation Agreement include, but are not limited to, the following:
 - All cash, cash equivalents, and other short term investments of the Sisters;
 - All rights of the Sisters in connection with the assets pertaining to the Sisters' Retirement Plans; and
 - Enterprise-hosted applications.
- The total consideration to be paid by Providence in connection with the proposed transaction will be the sum of a) \$125 million and b) an amount of money equal to the Closing Working Capital, as defined in the Affiliation Agreement. The monies will be used as follows:
 - Repay internal debt to the Sisters and external bond debt;
 - Reimbursement to the Sisters of all transaction expenses;
 - Reimbursement of grants made by the Sisters to Saint John's for previous loan forgiveness; and
 - The remainder will be held in a separately accounted fund to be used to pay any indemnification or other claims for unassumed liabilities of Saint John's.
- Employees of the Hospital and its affiliates who are in good standing as of the Closing Date will continue to be employed in the same position and location following the Closing Date, except for those employees who become employees of Providence;
- From the closing of the transaction through December 31, 2014, non-union employees will be provided with pay and benefits that are substantially similar to the pay and benefits provided to those employees ninety days prior to the closing of the transaction. After December 31, 2014, those employees will receive pay and benefits based on Providence's compensation and benefit plans as Providence employees, subject to certain exceptions set forth in the Affiliation Agreement;
- Providence will make no changes to the medical staff as of the closing or to certain contracts with the medical staff, subject to exceptions specified in the Affiliation Agreement. The closing of the transaction will not result in changes in the medical staff

officers or the department or committee chairs/heads or vice-chairs/heads, or the independence of the Hospital's medical staff;

- Providence will extend an invitation to a maximum of seventeen individuals to participate as members of the Saint John's Health Center Community Ministry Board, and the individuals selected will include some persons recommended by the Saint John's Board of Directors prior to the closing;
- Providence will provide \$100,000,000 in ongoing capital and operational support over the course of the next three years following the closing (or longer, if the projects are commenced within the 3 year period); and
- Providence will also use reasonable efforts to install and implement Epic information technology at the Hospital on or before June 30, 2015, and to make it available to the medical community performing services at the Hospital and its affiliates.

Use of Net Sale Proceeds

As set forth in the written notice, depending on the existence and extent of any unassumed liabilities, there may not be any net proceeds from the transaction. To the extent that any net proceeds exist, the Sisters propose that all net proceeds will be disbursed to the SCL Health System Legacy Fund to be used solely for the purpose of supporting healthcare services for the poor and needy residing in the Hospital's service area.

PROFILE OF SAINT JOHN'S HEALTH CENTER

Overview of the Hospital

Saint John's operates a 266 licensed bed, general acute care hospital located at 2121 Santa Monica Boulevard, Santa Monica. The campus is situated on approximately 15 acres of developed real estate that includes the Hospital, the Cancer Institute, parking, a residential building, and other clinical and non-clinical space.

BED DISTRIBUTION 2013	
Bed Type	Number of Beds
General Acute Care	196
Intensive Care	23
Neonatal Intensive Care	18
Perinatal	29
Total Beds	266

Source: Hospital License 2013

The Hospital has an emergency department that is classified as "basic" with 24 licensed emergency treatment stations. It also has 13 surgical operating rooms and four cardiac catheterization labs that can also be used for interventional radiology.

Key Statistics

KEY STATISTICS			
	2010	2011	2012*
Inpatient Discharges	14,334	12,896	12,713
Licensed Beds	265	266	266
Patient Days	54,590	50,624	50,894
Average Daily Census	149	138	139
Occupancy	56.3%	52.0%	52.3%
Average Length of Stay	3.8	3.9	4.0
Emergency Services Visits	29,696	29,586	30,372
Cardiac Catheterization Procedures ¹	1,571	1,543	1,519
Coronary Artery Bypass Graft (CABG) Surgeries	118	116	114
Total Live Births	1,792	1,566	1,979

Physicians on Medical Staff	923
Hospital Employees (FTEs)	1,293
Cancer Institute Employees (FTEs)	85

Sources: OSHPD Disclosure Reports, 2010-2012 and Hospital

*Unaudited

¹OSHPD Alerts Annual Utilization Reports

- For Fiscal Year (“FY”) 2012, the Hospital had a total of 12,713 discharges, 50,894 patient days, and an average daily census of 139 patients (52.3% occupancy of licensed beds);
- Inpatient discharges and patient days have both declined since 2010 by approximately 11% and 7%, respectively;
- For FY 2012, the Hospital had 30,372 emergency department visits and 1,979 deliveries; and
- In FY 2012, the Hospital performed approximately 1,500 diagnostic cardiac catheterization procedures.

Programs and Services

The Hospital offers a comprehensive range of healthcare services including emergency, diagnostic, surgical, maternity, cardiac, cancer, neonatal intensive, neurological, and orthopedic care.

- Cardiac Services: The Heart Center offers treatment options that include minimally invasive surgical techniques and cardiovascular interventions, such as cardiac catheterization, open heart surgery, balloon angioplasty, rotoblator angioplasty, and drug-eluting stent implantation;
- Orthopedic Services: Include joint replacement, orthopedic oncology, orthopedic trauma, physical therapy, rheumatology, and sports medicine. Additional specialty services are provided by the Hip and Pelvis Institute and Spine Center:
 - Hip and Pelvis Institute: Offers a wide range of advanced hip and pelvis treatment options like conservative surgical treatment, hip replacement, partial knee replacement, total knee replacement, and other procedures. The Hip and Pelvis Institute is located at 2001 Santa Monica Boulevard; and
 - Spine Center: Provides services that include spinal condition diagnosis, physical therapy, pain management, surgery, rehabilitation, and other related services. Spinal treatments include minimally invasive treatment approaches, corrective surgical procedures, and conservative healing and rehabilitation practices.
- Cancer Services: Include comprehensive care for patients with cancer of the skin, breast, lungs, liver, brain, stomach, prostate, and colon, among others. Services are provided by the following centers and programs:
 - Brain Tumor Center: The Brain Tumor Center provides comprehensive care and minimally invasive surgery for patients with brain, pituitary, and skull based tumors. Services include endonasal endoscopic surgery, pituitary disorders program, comprehensive brain tumor program, metastatic brain tumor program,

- radiation oncology and radiosurgery, trigeminal neuralgia and hemifacial spasm, and brain tumor patient support group;
 - The Margie Petersen Breast Center: Offers treatment options including early detection and screening, surgery, radiation oncology, chemotherapy, and hormone therapy for patients with breast cancer;
 - Melanoma Program: Provides a full-range of services for patients including surgical oncology, medical oncology, radiation oncology, and the opportunity to participate in clinical trials;
 - Endocrine and Bone Disease Program: The program focuses on the diagnosis and treatment of conditions like osteoporosis, breast cancer bone metastases, prostate cancer bone metastases, Paget's bone disease, menopause, hyperparathyroidism, thyroid disease, and fibrous dysplasia; and
 - Thoracic Surgery Program: Offers minimally invasive procedures to treat lung cancer, benign and malignant obstructions of the airway or esophagus, esophageal cancer, motility disorders of the esophagus, infections of the lungs and pleural space, and tumors of the chest wall.
- Neurological Services: Include general neurology and neurosurgical services, advanced neuro-radiology capabilities and endovascular treatments for vascular abnormalities, stroke, and tumors, including pre-operative tumor embolization, and inferior petrosal sinus sampling for evaluation of Cushing's disease;
 - Emergency Services: The Weingart Foundation Emergency Department offers 24 emergency treatment stations and is a designated STEMI receiving center;
 - Nuclear Medicine Services: Include Spect Brain Function, Spect Brain DaTscan™, therapy services, and radioiodine therapy. The Hospital was recently selected as a Center of Excellence for brain imaging because it offers both DaTscan™ and the advanced SPECT technology required to perform the new procedure that improves the diagnoses of Parkinsonian syndromes;
 - Women's Health Services: Include obstetrics and maternity, reproductive medicine, a Neonatal Intensive Care Unit, cancer treatment, diabetes, age-related hormone therapy, osteoporosis assistance, and orthopedics; and
 - Imaging Services: Include diagnostic imaging, computerized tomography, magnetic resonance imaging, ultrasound, and full-field digital mammography.

In addition to the inpatient programs and services, the Hospital also offers various outpatient services, including:

- The Ambulatory Surgery Center: Equipped with three operating rooms and 13 pre- and post-operation bays. It is a multi-specialty, outpatient surgery center located directly across the street from the Hospital. It offers a variety of surgical specialties that include ophthalmology, otolaryngology, podiatry, general surgery, and endoscopy; and

- The Cleft Palate Center: Provides diagnostic, surgical, social, and educational services to children and their families. Services include cleft palate feeding, nasal molding, and cleft palate surgery.

Accreditations, Certifications, and Awards

The Hospital is accredited by The Joint Commission, effective July 20, 2012 through July 20, 2015. Over the years, the Hospital has received several accolades and achievements as a top hospital in Southern California, some of which include:

- Named by Healthgrades as one of America's 50 Best Hospitals for 7 years in a row (2007-2013);
- Awarded Healthgrades' Distinguished Hospital for Clinical Excellence for 11 years in a row (2003-2013);
- Received Healthgrades' Patient Safety Excellence Award for 4 years in a row (2009-2012); and
- Awarded Top Performers on Key Quality Measures by The Joint Commission for 2010 and 2011.

Seismic Issues

The Hospital's new facilities conform to the California SB1953 Seismic Safety Act and are SPC-5 rated buildings, the highest designation available through the California Office of Statewide Health Planning and Development.

Patient Utilization Trends

The following table shows patient volume trends at the Hospital for FY 2008 through FY 2012.

PATIENT DAYS	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012*
Medical/Surgical	47,735	44,598	39,534	37,780	38,152
Intensive Care	7,752	5,991	4,839	4,814	4,711
Neonatal Intensive Care	2,073	2,013	2,490	1,871	1,802
Obstetrics	6,015	5,744	7,727	6,159	6,229
Total	63,575	58,346	54,590	50,624	50,894
DISCHARGES					
Medical/Surgical	11,396	12,159	12,004	9,188	10,297
Intensive Care	591	453	472	486	361
Neonatal Intensive Care	217	110	108	110	129
Obstetrics	1,962	1,744	1,750	1,532	1,926
Total	14,166	14,466	14,334	11,316	12,713
AVERAGE LENGTH OF STAY					
Medical/Surgical	4.2	3.7	3.3	4.1	3.7
Intensive Care	13.1	13.2	10.3	9.9	13.0
Neonatal Intensive Care	9.6	18.3	23.1	17.0	14.0
Obstetrics	3.1	3.3	4.4	4.0	3.2
Total	4.5	4.0	3.8	4.5	4.0
AVERAGE DAILY CENSUS					
Medical/Surgical	130.4	122.2	108.3	103.5	104.2
Intensive Care	21.2	16.4	13.3	13.2	12.9
Neonatal Intensive Care	5.7	5.5	6.8	5.1	4.9
Obstetrics	16.4	15.7	21.2	16.9	17.0
Total	173.7	159.9	149.6	138.7	139.1
OTHER SERVICES					
Inpatient Surgeries	5,947	6,012	5,855	5,485	4,977
Outpatient Surgeries	5,643	4,564	4,342	4,155	4,350
Emergency Visits	31,102	30,377	29,696	29,586	30,372
Cardiac Cath Procedures	576	580	1,571	1,543	1,519
Obstetric Deliveries	2,003	1,786	1,792	1,566	1,979

Sources: OSHPD Disclosure Reports, 2008-2012 and OSHPD Alirts Annual Utilization Reports

*Unaudited

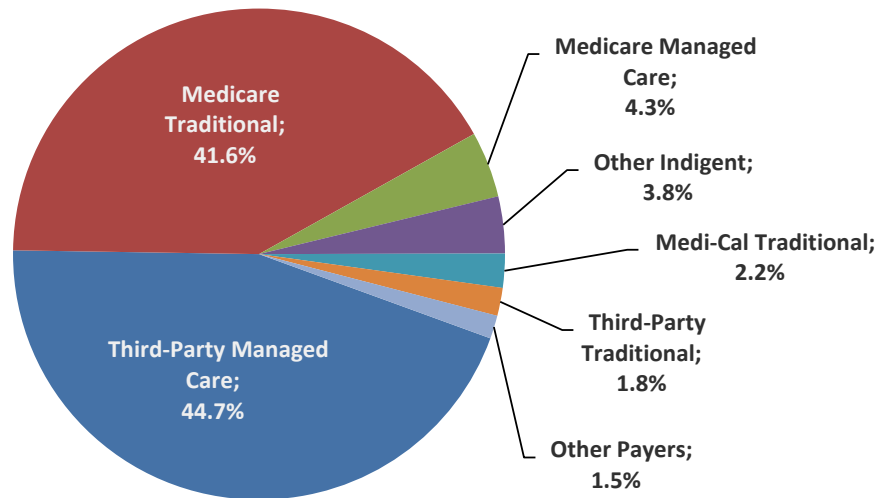
A review of historical utilization trends at the Hospital between FY 2008 and FY 2012 supports the following conclusions:

- Over the five reported years, total patient days have decreased by approximately 20% from 63,575 in 2008 to 50,894 in 2012;
- Inpatient discharges have decreased from 14,334 in 2010 to 12,713 in 2012, an 11% decline;
- The total number of licensed beds has decreased over the five year period, from 334 beds in 2008 to its current licensure of 266 beds;
- The average daily census has decreased to 139 patients per day;
- The overall average length of stay has increased from 3.8 days in 2010 to 4.0 days in 2012;
- Inpatient surgeries decreased by 15% from 5,855 in 2010 to 4,977 in 2012; and
- Over the past three years, obstetric deliveries have increased by 10% from 1,792 in 2010 to 1,979 in 2012.

Payer Mix

In 2012, the Hospital's inpatient payer mix consisted of predominantly Third-Party Managed Care (44.7%) and Medicare Traditional patients (41.6%). Additionally, 3.8% of all inpatient hospital discharges were indigent patients (uninsured/poor), compared to 4.4% for Los Angeles County and 4.7% for California. Medicare Managed Care (4.3%), Medi-Cal Traditional (2.2%), Third-Party Traditional (1.8%), and Other Payers* (1.5%) made up the remaining 9.8% of the Hospital's inpatient discharges.

Hospital Payer Mix, 2012



Total Inpatient Discharges = 12,713

*"Other Payers" include self-pay, workers' compensation, other government, and other payers

Source: OSHPD Financial Disclosure Report, FY 2012 (based on inpatient discharges)

The following table illustrates the Hospital's inpatient discharge payer mix compared to Los Angeles County and statewide for 2012. The comparison shows that the Hospital has much higher percentages of Third-Party Managed Care and Medicare Traditional patients and lower percentages of Medi-Cal Managed Care and Medi-Cal Traditional patients relative to other hospitals in Los Angeles County and statewide.

PAYER MIX COMPARISON						
	Hospital (2012)		Los Angeles County (2011)		California (2011)	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	283	2.2%	211,777	22.7%	259,715	8.5%
Medi-Cal Managed Care	0	0.0%	73,985	7.9%	563,693	18.4%
Medi-Cal Total	283	2.2%	285,762	30.6%	823,408	27.0%
Medicare Traditional	5,293	41.6%	271,243	29.0%	898,156	29.4%
Medicare Managed Care	552	4.3%	73,823	7.9%	251,403	8.2%
Medicare Total	5,845	46.0%	345,066	36.9%	1,149,559	37.6%
Third-Party Managed Care	5,681	44.7%	191,727	20.5%	697,936	22.8%
Third-Party Managed Care Total	5,681	44.7%	191,727	20.5%	697,936	22.8%
Third-Party Traditional	234	1.8%	39,141	4.2%	150,185	4.9%
Other Payers	193	1.5%	32,139	3.4%	88,883	2.9%
Other Indigent	477	3.8%	11,284	1.2%	55,946	1.8%
County Indigent	0	0.0%	29,697	3.2%	89,385	2.9%
Other Total	904	7.1%	112,261	12.0%	384,399	12.6%
Total	12,713	100%	934,816	100%	3,055,302	100%

Source: OSHPD Disclosure Reports, 2011 & 2012

Medi-Cal Managed Care

The Medi-Cal Managed Care Program contracts for healthcare services through established networks of organized systems of care. Approximately 4.5 million Medi-Cal beneficiaries in 30 counties in California receive their healthcare through three models of managed care: County Organized Health Systems, Two-Plan Model, or Geographic Managed Care. Los Angeles County has a Two-Plan Model for managed care that offers Medi-Cal beneficiaries a “Local Initiative” and a “commercial plan”.

LA Care Health Plan is the local initiative plan for Los Angeles County. Medi-Cal beneficiaries can choose LA Care Health Plan or one of the contracting partners that include Blue Cross of California, Care 1st, Community Health Plan, and Kaiser Permanente.

The second Medi-Cal plan in Los Angeles County is a private commercial plan provided by Health Net Community Solutions, Inc., that also has a partnership contract with Molina Healthcare. Currently, the Hospital is not contracted with either of these health plans for the Medi-Cal program.

Medical Staff

The Hospital has 919 practicing physicians on the medical staff. Of these, 712 are listed as practicing a medical or surgical subspecialty, and 188 are considered primary care physicians, including internal medicine, family practice, general practice, and pediatrics. The remaining 19 physicians are practicing emergency medicine.

MEDICAL STAFF PROFILE 2013					
Specialty	Board Certified		Specialty	Board Certified	
	Yes	No		Yes	No
Allergy and Immunology	4	1	Ophthalmology	22	5
Anesthesiology	33	6	Oral/Maxillofacial Surgery	6	4
Cardiology	46	2	Orthopaedic Surgery	38	24
Cardiovascular / Thoracic	11	2	Otolaryngology	14	3
Dermatology	28	0	Pathology	8	0
Emergency Medicine	11	8	Pediatric Cardiology	3	2
Endocrinology	12	2	Pediatric Surgery	1	0
Family Medicine	54	5	Pediatrics	42	9
Gastroenterology	16	4	Perinatology	7	1
General Surgery	32	10	Physical Medicine and Rehab	9	3
Gynecology	12	1	Plastic Surgery	38	19
Infectious Disease	6	4	Podiatry	11	2
Internal Medicine	64	14	Psychiatry	14	1
Neonatology	2	1	Pulmonary Medicine	18	1
Nephrology	8	6	Radiation Therapy	10	0
Neurology	18	7	Radiology	38	0
Neurosurgery	12	4	Reproductive Endocrinology	3	3
Nuclear Medicine	2	1	Rheumatology	11	1
Ob/Gyn	34	20	Urology	8	2
Oncology	23	4	Vascular Surgery	7	1
Board Certified Total = 736					
Non-Board Certified Total = 183					

Source: Hospital

Financial Profile

FINANCIAL AND RATIO ANALYSIS: FY 2008-2012					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012*
Patient Days	63,575	58,346	54,590	50,624	50,894
Discharges	14,166	14,466	14,334	12,896	12,713
ALOS	4.5	4.0	3.8	3.9	4.0
Net Patient Revenue	\$230,439,125	\$250,831,375	\$275,000,767	\$270,839,248	\$288,870,768
Other Operating Revenue	\$6,934,385	\$11,187,324	\$5,198,677	\$5,518,143	\$5,051,513
Depreciation and Amortization	\$8,310,480	\$8,503,650	\$19,111,118	\$19,171,803	\$404,893,348 **
Other Expense	\$239,104,154	\$262,338,777	\$280,697,309	\$270,290,088	\$285,204,441
Operating Expense	\$247,414,634	\$270,842,427	\$299,808,427	\$289,461,891	\$690,097,789
Net from Operations	(\$10,041,124)	(\$8,823,728)	(\$19,608,983)	(\$13,104,500)	(\$396,175,508)
Net Non-Operating Revenue	\$4,659,413	\$2,671,689	\$2,705,183	\$6,855,053	\$4,648,169
Net Income	(\$7,438,210)	(\$8,934,605)	(\$21,919,247)	(\$12,846,438)	(\$394,818,894)
California Average 2011					
Current Ratio	1.63	1.32	0.74	0.62	0.78
Days in A/R	56.5	59.3	41.5	40.7	41.2
Bad Debt Rate	1.7%	1.0%	0.8%	0.8%	0.2%
Operating Margin	3.96%	-3.13%	-3.37%	-7.00%	-4.74%

Source: OSHPD Disclosure Reports, 2008-2012

*Unaudited

**The net loss in 2012 can be largely attributed to an impairment charge of \$386.2 million that represented the difference between the Sisters' book value of Saint John's assets and the expected value to be received from a transfer of Saint John's to another entity

Over the past five years, the Hospital has reported a net loss of between \$7.4 million in 2008 to over \$394.8 million in 2012. Much of the reported loss in 2012 is due to accounting for an asset impairment loss of \$386.2 million, which is the difference between the carrying value of Saint John's assets (i.e., net book value) and the net realizable value of these assets (i.e., the consideration the Sisters will receive from Providence as a result of this transaction.)² Excluding this asset impairment loss, the Hospital would have shown a loss of approximately \$8.6 million in 2012. Between 2008 and 2012, the Hospital's net operating revenue increased by 24%.

The Hospital's current assets-to-liabilities ratio has decreased steadily over the last five years from 1.32 in 2008 to 0.61 in 2012 (the California average in 2011 was 1.63). The Hospital's average percentage of bad debt is approximately 0.7%, which is lower than the statewide average of 1.7%.

² An additional asset impairment loss of \$45.1 million was taken as of June 30, 2013.

Cost of Hospital Services

The Hospital's operating cost of services includes both inpatient and outpatient care. In 2012, approximately 50% of the Hospital's total costs were associated with Medicare and 45% with Third-Party payers. The remaining 5% is attributed to Medi-Cal, indigent, and other payers.

COST OF SERVICES BY PAYER CATEGORY 2008-2012					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012*
Operating Expenses	\$247,414,634	\$270,842,427	\$299,808,427	\$289,461,891	\$690,097,789
Cost of Services By Payer:					
Medicare	\$116,330,497	\$111,406,498	\$118,256,182	\$115,865,777	\$345,418,257
Medi-Cal	\$2,390,795	\$46,957,439	\$66,582,466	\$66,317,956	\$10,674,845
County Indigent	\$0	\$6,817,024	\$7,405,589	\$7,320,622	\$0
Third Party	\$122,472,305	\$92,707,957	\$93,759,117	\$86,434,706	\$307,653,631
Other Indigent	\$49,084	\$4,459,762	\$4,940,663	\$4,904,936	\$6,895,166
Other Payers	\$6,171,952	\$8,493,747	\$8,864,410	\$8,617,893	\$19,455,891

Source: OSHPD Disclosure Reports, 2008-2012

*Unaudited

Charity Care

According to the Hospital's reports submitted to OSHPD, the Hospital's charity care charges have fluctuated from a low of approximately \$7.8 million in 2008 to a high of nearly \$12.1 million in 2011. The five-year average for charity care charges was \$9.4 million.

The following table shows a comparison of charity care and bad debt for the Hospital and all general acute care hospitals in the state. The five-year (2008-2012) average of charity care and bad debt for the Hospital, as a percentage of gross patient revenue, was 1.7%. This is lower than the four-year statewide average of 3.6%. According to OSHPD, "the determination of what is classified as...charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

CHARITY CARE COMPARISON FY 2008 to FY 2012 (Millions)										
	2008		2009		2010		2011		2012*	
	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA	Hospital	CA
Gross Patient Revenue	\$929.1	\$230,007.7	\$970.0	\$252,204.3	\$966.2	\$270,511.0	\$891.3	\$287,438.8	\$943.1	n/a
Charity	\$7.8	\$4,116.5	\$8.0	\$4,603.4	\$9.5	\$5,587.1	\$12.1	\$5,859.4	\$9.4	n/a
Bad Debt	\$9.0	\$3,761.9	\$7.5	\$4,293.4	\$7.8	\$4,510.8	\$1.7	\$4,938.8	\$6.2	n/a
Total	\$16.7	\$7,878.4	\$15.5	\$8,896.7	\$17.3	\$10,097.9	\$13.8	\$10,798.1	\$15.6	n/a
Charity as a % of Gross Rev.	0.8%	1.8%	0.8%	1.8%	1.0%	2.1%	1.4%	2.0%	1.0%	n/a
Bad Debt as a % of Gross Rev.	1.0%	1.6%	0.8%	1.7%	0.8%	1.7%	0.2%	1.7%	0.7%	n/a
Total as a % of Gross Rev.	1.8%	3.4%	1.6%	3.5%	1.8%	3.7%	1.5%	3.8%	1.7%	n/a
Uncompensated Care										
Cost to Charge Ratio ¹	27.5%	26.0%	26.8%	25.1%	30.5%	25.0%	31.9%	24.6%	32.2%	n/a
Charity	\$2.1	\$1,069.4	\$2.2	\$1,153.4	\$2.9	\$1,396.2	\$3.8	\$1,441.4	\$3.0	n/a
Bad Debt	\$2.5	\$977.2	\$2.0	\$1,075.7	\$2.4	\$1,127.3	\$0.6	\$1,214.9	\$2.0	n/a
Total	\$4.6	\$2,046.6	\$4.1	\$2,229.2	\$5.3	\$2,523.5	\$4.4	\$2,656.3	\$5.0	n/a

Source: OSHPD Disclosure Reports 2008-2012 & the Hospital

*Unaudited

¹ The 2012 cost to charge ratio reflects an adjustment to operating expenses showing the effects of an asset impairment loss of \$386,211,580 that was recognized for 2012 as indicated in the documents submitted to the Attorney General's Office

The table below shows the Hospital's historical costs for charity care as reported by OSHPD. The Hospital's charity care costs increased from \$7.8 million in 2008 to \$12.1 million in 2011 before dropping back down to \$9.4 million in 2012. The average cost of charity care for the last five-year period was approximately \$2.8 million.

COST OF CHARITY CARE				
Year	Charity Care Charges (1)	Cost to Charge Ratio (2)	Cost of Charity Care to the Hospital	Percent of Total Costs Represented by Charity Care
FY 2012	\$9,423,549	32.2%	\$3,034,383	1.0%
FY 2011	\$12,074,539	31.9%	\$3,846,573	1.3%
FY 2010	\$9,531,159	30.5%	\$2,906,306	1.0%
FY 2009	\$8,033,208	26.8%	\$2,150,417	0.8%
FY 2008	\$7,766,047	27.5%	\$2,137,019	0.9%
5-Year Average	\$9,365,700		\$2,814,939	

Source: OSHPD & Hospital

(1) Charity care charges are based on final OSHPD figures

(2) The 2012 cost to charge ratio reflects an adjustment to operating expenses showing the effects of an asset impairment loss of \$386,211,580 that was recognized for 2012 as indicated in the submittal to the Attorney General's Office

In its written notice to the Attorney General, Saint John's submitted adjustments to the cost to charge ratio differing slightly from those reported by OSHPD. As a result, the submission reflected the following:

COST OF CHARITY CARE			
Year	Charity Care Charges (1)	Cost to Charge Ratio	Cost of Charity Care to the Hospital
FY 2012	\$9,423,549	32.2%	\$3,036,303
FY 2011	\$12,074,539	32.5%	\$3,921,327
FY 2010	\$9,531,159	31.0%	\$2,957,590
FY 2009	\$8,033,208	27.9%	\$2,243,068
FY 2008	\$7,766,047	26.6%	\$2,068,062
5-Year Average	\$9,365,700		\$2,845,270

Source: Hospital

(1) Charity Care charges are based on final OSHPD figures.

The Hospital reported the following distribution of charity care by inpatient, outpatient, and emergency room charges:

COST OF CHARITY CARE BY SERVICE FY 2008-2012				
	Inpatient	Outpatient	Emergency Room	Total Charges
2012:				
Cost of Charity	\$1,170,127	\$1,071,404	\$794,772	\$3,036,303
Cases/Visits	511	6,050	2,370	\$8,931
2011				
Cost of Charity	\$1,732,585	\$1,226,805	\$961,937	\$3,921,327
Cases/Visits	993	7,922	3,504	\$12,419
2010:				
Cost of Charity	\$942,921	\$1,254,943	\$759,726	\$2,957,590
Cases/Visits	1,280	9,463	4,895	\$15,638
2009:				
Cost of Charity	\$881,635	\$894,271	\$467,163	\$2,243,069
Cases/Visits	518	7,751	2,006	10,275
2008:				
Cost of Charity	\$761,043	\$802,760	\$504,259	\$2,068,062
Cases/Visits	384	6,946	1,992	9,322

Source: Hospital

Community Benefit Services

The Hospital has consistently provided large contributions to community benefit services. In 1998, Saint John's and the Sisters entered into an agreement with the City of Santa Monica. A component of this agreement is the Community Access Plan that applies to the community benefits provided by the Hospital. The initial community benefit requirement for the Hospital, set forth in the agreement, was \$732,000. The agreement requires the Hospital to increase the community benefit amount, each subsequent year, by 1.5%. The Hospital has consistently exceeded the required amount of community benefits since the agreement went into effect.

As shown in the table below, the average annual cost of community benefit services over five years has been approximately \$3.4 million per year.

COMMUNITY BENEFIT SERVICES							
Community Benefit Programs	2008	2009	2010	2011	2012	5-Year Average	Total
Services for Vulnerable Populations	\$2,015,423	\$1,728,718	\$928,765	\$1,475,708	\$1,338,303	\$1,497,383	\$7,486,917
Services for the Broader Community	\$773,307	\$644,629	\$926,098	\$832,719	\$676,047	\$770,560	\$3,852,800
Health Research, Education and Training Programs	\$401,844	\$1,664,127	\$1,445,204	\$1,376,156	\$644,206	\$1,106,307	\$5,531,537
Total	\$3,190,574	\$4,037,474	\$3,300,067	\$3,684,583	\$2,658,556	\$3,374,251	\$16,871,254

Source: Hospital

- The Hospital's five-year average cost of community benefit services for vulnerable populations is approximately \$1.5 million per year. The services for vulnerable populations include grants to agencies that serve individuals living in poverty, grants for services to local schools, seniors and children, equipment donations to nonprofit agencies, and a child care center;
- The Hospital's five-year average cost of community benefit services to the broader community is approximately \$770,000 per year. These services include health education, health promotion and wellness, and research services to residents of the community; and
- Between 2008 and 2012, the Hospital's total cost of health research, education, and training programs was approximately \$5.5 million, averaging \$1.1 million per year.

The Hospital's cost of community benefit services over the past five fiscal years included the following program expenditures over \$10,000:

COST OF COMMUNITY BENEFIT SERVICES					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Services over \$10,000 in cost					
CFDC Infant, Toddler, & Pre-School Program Services	\$433,943	\$468,420	\$302,669	\$507,185	\$364,106
CFDC Student Internship in Clinical Psychology and Social Work	\$438,514	\$553,649	\$527,287	\$390,685	\$312,759
Cleft Palate Center Clinic	\$57,767	\$208,476	\$132,975	\$151,187	\$168,525
Ocean Park Community Center	\$250,000	\$150,000	\$200,000	\$200,000	\$157,500
Pico Youth & Family Center	\$47,500	\$50,000	\$35,000	\$18,700	
Santa Monica-Malibu United School District		\$77,500	\$152,500	\$100,000	\$75,000
St. Anne's School Nurse	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
St. Joseph Center	\$52,000	\$52,000	\$58,500	\$25,000	\$50,000
Venice Family Clinic - Simms Mann Center	\$75,000	\$152,000	\$176,000	\$176,000	\$175,000
Westside Family Health Center	\$67,500	\$85,000	\$97,000	\$92,000	\$90,000
WISE & Healthy Aging	\$10,000	\$76,000	\$58,000	\$51,000	\$50,000
Community Education Department Costs	\$49,179	\$75,334	\$141,771	\$204,070	\$166,920
Community Health Forums		\$35,079		\$72,989	\$84,127
Disaster Preparedness				\$14,914	
Education & Training	\$87,233	\$76,023	\$70,247	\$87,251	\$88,646
Support for Lab Technology Training				\$13,387	\$12,004
Saint John's Volunteer Services	\$14,399	\$21,186	\$10,908	\$13,660	\$16,737
Surgeon Education		\$11,347			\$16,927
Research Administration		\$137,705	\$222,818		
Disaster Relief Effort - Haiti			\$29,224		
Shots for Tots and Teens	\$10,000	\$10,000			
Letourneau Symposium	\$18,100				
Center for Healthy Aging	\$57,500				

Source: Hospital

The Hospital's community benefit services have supported many programs for the community including: the Child and Family Development Center, Venice Family Clinic, Santa Monica-Malibu Unified School District, Westside Family Health Center, Ocean Park Community Center, Saint Joseph's Center, Saint John's Child and Family Development Center, WISE & Healthy Aging, St. Anne's School, and Pico Youth & Family Center:

- **Child Family and Development Center:** Provides comprehensive mental health, outreach, developmental, and educational services to children and families within the community. The Hospital provides funds that help support the Child Family and Development Center's Infant, Toddler, and Pre-School Program as well as the Student Internship Program in Clinical Psychology and Social Work;
- **Ocean Park Community Center:** In 2009, the Ocean Park Community Center and the Hospital formed a partnership and set up a "respite care program". Through the respite care program, people who are discharged and are homeless are given a safe environment in which to recover. The Hospital funds Ocean Park Community Center's staff time and communicates with the staff about emergency room visits and hospitalizations of the people who are homeless. Over the past few years, the program has grown and has been named Project HEARTH, in which 12 beds have been set aside for recovering clients in

an Ocean Park Community Center shelter;

- **Venice Family Clinic:** Originally launched in 1970, the Venice Family Clinic has seven clinical locations where low-income, uninsured, and homeless families and individuals are able to receive healthcare. The Hospital has collaborated with the Venice Family Clinic in which the Hospital provides in-kind services and operating funds;
- **Community Education Programs:** Through the Flora Thornton Community Health Education Program, the Hospital offers a variety of health education and support programs to the community to promote health and longevity. The programs include: Freedom from Smoking, Lose Weight for Good, Diabetes Management Series, Diabetes Support Group, and Individualized Nutrition and Diabetes Counseling;
- **Santa Monica-Malibu Unified School District:** The Hospital funds the school district's Infant-Family Support Program and supports its School Nurse Program in order to enhance the health status of the community's school age children;
- **St. Anne's School:** The Hospital funds a school nurse and provides a school counseling program at St. Anne's, a parochial school in the community;
- **Westside Family Health Center:** The Hospital provides funding for the prenatal care program, serving low-income women, and funds the Shots for Tots and Teens Immunization Program. In 2012, through the Hospital's community partnership with the Westside Family Health Center, 442 pregnant women were seen a total of 4,592 times, 265 healthy babies were born, and 942 kids were given 3,230 immunizations; and
- **WISE & Healthy Aging:** The Hospital provides funding to support a newsletter for the local senior population. In 2012, 6,000 people were served and the Hospital contributed \$50,000.

PROFILE OF PROVIDENCE HEALTH & SERVICES

Providence Health and Services (Providence System) is a nonprofit Catholic healthcare system, headquartered in Renton, Washington. Providence Ministries is the Catholic sponsor of Providence System. In 2012, Providence System affiliated with Swedish Health Services, expanding both organizations and the combined scope of services to include 32 hospitals, 350 physician clinics, senior services, supportive housing and a variety of other health and educational services. Providence System employs more than 64,000 individuals across five states – Alaska, California, Montana, Oregon and Washington.

Approximately 70 years ago, Providence System began their operations in Southern California and currently includes five acute care medical centers, 35 clinics, 10 urgent care locations, 3,400 physicians, and the Providence Medical Institute physician group. Providence offers services and programs in cancer, cardiology, neurosciences, orthopedics, women's health, emergency and trauma care, pediatrics, and neonatal intensive care.

Providence Health System–Southern California (Providence) operates the following five hospitals: Providence Saint Joseph Medical Center, Providence Holy Cross Medical Center, Providence Little Company of Mary Medical Center-San Pedro, Providence Little Company of Mary Medical Center-Torrance, and Providence Tarzana Medical Center.

Providence Saint Joseph Medical Center, located in Burbank, was founded in 1943 by the Sisters of Providence. The medical center is licensed for 446 beds, has approximately 2,300 employees, 690 physicians, and is the second-largest hospital serving the San Fernando and Santa Clarita Valleys. The medical center offers a variety of services and programs through its Roy & Patricia Disney Family Cancer Center, heart center, Hycy & Howard Hill Neuroscience Institute, orthopedics department, women's services, breast health center, home health, and Trinity Hospice.

Providence Holy Cross Medical Center, located in Mission Hills, was founded in 1961 and serves the San Fernando, Santa Clarita, and Simi Valleys. It is an acute care facility that is currently licensed for 377 beds and has a medical staff consisting of 582 physicians. The medical center offers both inpatient and outpatient health services including a cancer center, heart center, orthopedics, neurosciences, rehabilitation services, women's and children's services, as well as a Level II Trauma Center.

Providence Little Company of Mary Medical Center-Torrance opened in 1960 at its present location in Torrance. It currently has 436 licensed beds, employs approximately 2,100 individuals, and has a medical staff consisting of 900 physicians. The hospital offers general medical, surgical, and critical care services, as well as a heart center, oncology services, emergency care, women's and children's health services, and a Level III Neonatal Intensive Care Unit.

Providence Little Company of Mary Medical Center-San Pedro, founded in 1925, is located in San Pedro and provides health services to the South Bay community. It is currently licensed for 356 beds, has a medical staff consisting of 342 physicians, and has approximately 1,100

employees. The hospital offers a variety of medical services including emergency care, intensive care, medical and surgical services, obstetrics, orthopedics, and is also certified through the Joint Commission as a Primary Stroke Center.

Providence Tarzana Medical Center, founded in 1973, was purchased by Providence in 2008 and was converted to a nonprofit organization. The 245-bed facility has a medical staff consisting of 845 physicians and has over 1,300 employees. The medical center offers a comprehensive range of healthcare services that include cardiology, vascular, orthopedics, oncology, neurology, women's services, pediatrics, neonatal, diabetes, wound and emergency care. The medical center has been designated by the Los Angeles County Department of Health as a STEMI and stroke receiving center, and also has a Level III Neonatal Intensive Care Unit.

Key Statistics

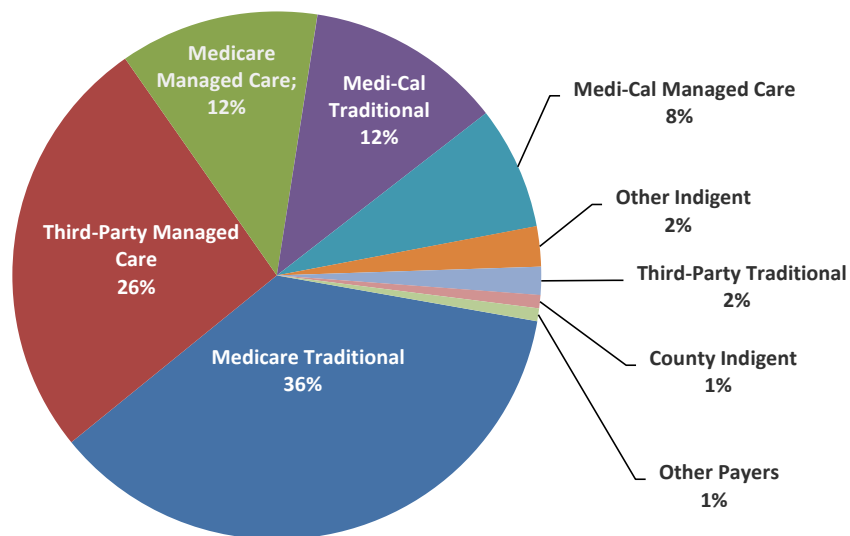
Key statistics include the following:

- In FY 2012, Providence System reported approximately \$1.2 billion in net income. This was an increase of approximately 231% from \$362 million in 2011, although it did not include the operations from Swedish Health Services;
- In 2012, Providence's five hospitals reported approximately \$111 million in combined net income;
- In 2012, Providence's five hospitals operated a total of 1,768 licensed beds with an average occupancy rate of 63%, and an average daily census of 1,111 patients;
- From 2011 to 2012, total inpatient discharges at Providence's five hospitals increased 4% from 74,346 to 77,562; and
- Based on 2012 inpatient discharges for Providence's five hospitals, the combined Medicare and Medi-Cal percentage was 49% and 20%, respectively.

PROVIDENCE HOSPITALS' PAYER MIX COMPARISON										
	Saint Joseph Medical Center		Holy Cross Medical Center		Little Company of Mary Medical Center - Torrance		Little Company of Mary Medical Center - San Pedro		Tarzana Medical Center	
	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total	Discharges	% of Total
Medi-Cal Traditional	2,295	12.8%	2,353	13.7%	2,307	11.0%	1,077	14.4%	1,289	9.1%
Medi-Cal Managed Care	1,064	6.0%	1,847	10.8%	944	4.5%	681	9.1%	1,310	9.2%
Medi-Cal Total	3,359	18.8%	4,200	24.5%	3,251	15.5%	1,758	23.5%	2,599	18.3%
Medicare Traditional	8,017	44.9%	5,139	30.0%	6,802	32.5%	1,995	26.7%	6,234	44.0%
Medicare Managed Care	1,288	7.2%	2,401	14.0%	3,905	18.7%	1,472	19.7%	375	2.6%
Medicare Total	9,305	52.1%	7,540	44.0%	10,707	51.2%	3,467	46.3%	6,609	46.6%
Third-Party Managed Care	4,477	25.1%	3,554	20.8%	5,920	28.3%	1,761	23.5%	4,587	32.4%
Third-Party Managed Care Total	4,477	25.1%	3,554	20.8%	5,920	28.3%	1,761	23.5%	4,587	32.4%
Third-Party Traditional	287	1.6%	246	1.4%	393	1.9%	250	3.3%	149	1.1%
Other Payers	82	0.5%	79	0.5%	144	0.7%	242	3.2%	59	0.4%
Other Indigent	350	2.0%	868	5.1%	506	2.4%	7	0.1%	174	1.2%
County Indigent	0	0.0%	632	3.7%	0	0.0%	0	0.0%	0	0.0%
Other Total	719	4.0%	1,825	10.7%	1,043	5.0%	499	6.7%	382	2.7%
Total	17,860	100%	17,119	100%	20,921	100%	7,485	100%	14,177	100%

Source: OSHPD Disclosure Reports, 2012

Providence Hospitals' Payer Mix, 2012



Total Discharges = 77,562

Quality & Awards

All five of Providence's hospitals have received accreditation from The Joint Commission as indicated below:

Hospital	Effective Date
Providence Saint Joseph Medical Center	8/4/2012
Providence Holy Cross Medical Center	5/12/2012
Providence Little Company of Mary Medical Center - Torrance	9/22/2012
Providence Little Company of Mary Medical Center - San Pedro	2/3/2012
Providence Tarzana Medical Center	9/2/2011

Source: The Joint Commission Accreditation Program

The following table reports Providence's five hospitals' quality scores for measures of patient safety, readmission rate, overall patient experience, and surgical complications:

Providence Hospitals' Quality Scores				
Hospital	Patient Safety	Readmission Rate	Overall Patient Experience	Surgical Complications
State of California Average	96%	9.3%	67%	
Providence Little Company of Mary - Torrance	99%	9.2%	77%	Better than National Rate
Providence Little Company of Mary - San Pedro	96%	10.4%	70%	At National Rate
Providence Holy Cross Medical Center	98%	8.7%	75%	At National Rate
Providence St. Joseph Medical Center	98%	9.8%	78%	Better than National Rate
Providence Tarzana Medical Center	87%	9.5%	62%	Better than National Rate

Source: 2013 California Healthcare Foundation, Medicare.gov

- Overall, their rates were the same or better when compared to the state average of 96% for patient safety, with only Providence Tarzana Medical Center scoring below with 87%;
- Providence Little Company of Mary Medical Center-Torrance and Providence Holy Cross Medical Center have readmission rates that are better than the California average of 9.3% (9.2% and 8.7%, respectively);
- Providence Little Company of Mary Medical Center-Torrance (77%), Providence Little Company of Mary Medical Center-San Pedro (70%), Providence Holy Cross Medical Center (75%), and Providence Saint Joseph Medical Center (78%) have overall patient experience scores that are better than the state average of 67%; and
- For measures on surgical complications, all of Providence's five hospitals meet or exceeded the national rate.

Community Benefit Services

Providence has several foundations, described below, that raise funds to help provide critically needed services in the communities they serve:

- Providence High School, Burbank, was founded in 1955 by the Sisters of Providence. It is a private, co-educational, independent, college preparatory Catholic high school, accredited by the Western Catholic Education Association and the Western Association of Schools and Colleges. It is also a member of the California Association of Independent Schools, and is nationally recognized as a Blue Ribbon High School;
- Providence Health and Services Foundation (San Fernando and Santa Clarita Valleys Service Area) serves Providence Holy Cross Medical Center in Mission Hills, Providence Saint Joseph Medical Center in Burbank, and Providence Tarzana Medical Center in Tarzana:
 - Providence Tarzana Medical Center is in the final phase of its "Giving That Builds" campaign to relocate and expand the medical center's existing pediatric intensive care unit;
 - Providence Saint Joseph Medical Center opened the The Hycy & Howard Hill Neuroscience Institute to help families affected by neurological disorders. The Providence Health and Services Foundation is in the final phase of its campaign for funds to build the Cusumano Family Neuroscience Outpatient Center; and
 - The Providence Health and Services Foundation's contributions are being used to help support the refurbishing of two radiology suites, plus upgrade digital mammography and ultra-sound technology, at Providence Holy Cross Medical Center.
- Providence TrinityCare Hospice Foundation, Torrance, provides a range of palliative care and hospice services to nearly 2,000 families in Southern California each year. The

Trinity Kids Care program is the only dedicated pediatric hospice care program of its kind in Los Angeles and Orange Counties; and

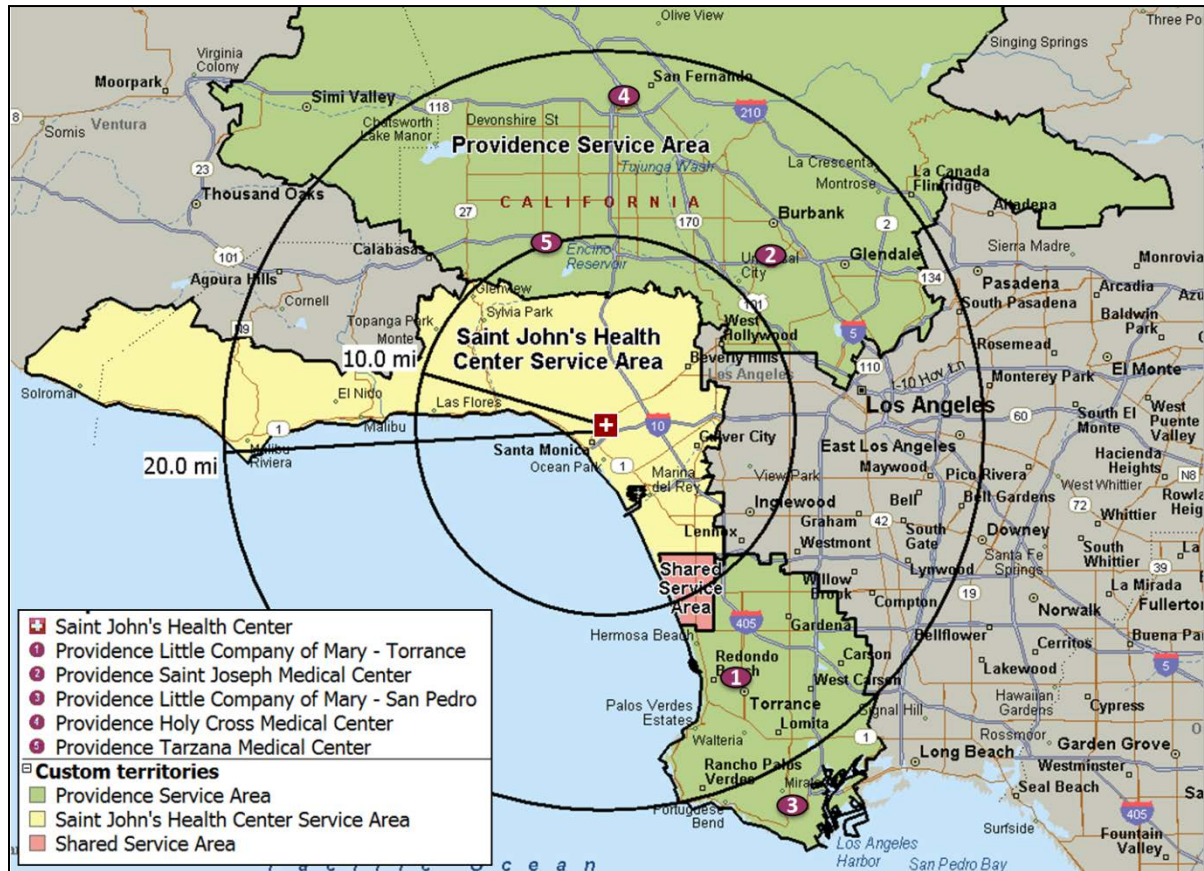
- Providence Little Company of Mary Foundation, San Pedro and Torrance, supports Los Angeles County children and families through the Partners for Health Kids mobile pediatric clinic. It has served 50,000 underserved and uninsured children since 1994. The mobile clinic is able to provide immunizations, medical treatment, and referrals.

In 2012, Providence provided nearly \$167 million in community benefit programs and services to approximately 250,000 people within the community. Some of the community benefit programs and services are described below:

- Get Out and Live: Sponsored by Providence Little Company of Mary Medical Centers, San Pedro and Torrance. Get Out and Live is a diabetes management program that provides underserved and uninsured individuals with health information and support;
- Creating Opportunity for Physical Activity: A free program that assists in revamping health and wellness programs in elementary schools. The Creating Opportunity for Physical Activity programs serves schools in lower-income areas of the South Bay, and in 2012, expanded to the San Fernando and now serves a total of 11 campuses; and
- Medical Mission to Guatemala: In October 2012, a volunteer team from all five Providence hospitals, including surgeons, anesthesiologists, nurses, technicians, and support staff, traveled to Guatemala and performed 65 surgeries on patients who had little access to healthcare. It was the first medical mission co-sponsored by Providence System and Faith in Practice, a Houston-based nonprofit health outreach organization.

Location of Hospitals Owned by Providence Health and Services-Southern California and Saint John's Health Center

A map and more information about hospitals owned by Providence are provided on the following pages:



- The five Providence hospitals are located within 25 miles of the Hospital. Providence Little Company of Mary Medical Center-Torrance is the closest to the Hospital's service area and shares two service area ZIP Codes located in El Segundo and Manhattan Beach.

Providence Health System-Southern California Hospitals

SOUTHERN CALIFORNIA HOSPITALS OWNED BY PROVIDENCE										
	Little Company of Mary Medical Center -Torrance General Acute		Little Company of Mary Medical Center -San Pedro General Acute		Holy Cross Medical Center General Acute		Saint Joseph Medical Center General Acute		Tarzana Medical Center General Acute	
	2011	2012*	2011	2012*	2011	2012*	2011	2012*	2011	2012*
City	Torrance		San Pedro		Mission Hills		Burbank		Tarzana	
Licensed Beds	442	442	356	356	377	377	335	344	245	249
Patient Days	95,674	90,969	73,897	73,869	87,489	94,800	87,197	83,825	62,427	63,081
Discharges ¹	19,281	20,921	7,465	7,485	15,501	17,119	18,237	17,860	13,862	14,177
ALOS	5.0	4.3	9.9	9.9	5.6	5.5	4.8	4.7	4.5	4.4
Average Daily Census	262	249	202	202	240	259	239	229	171	172
Occupancy	59.3%	56.2%	56.9%	56.7%	63.6%	68.7%	71.3%	66.6%	69.8%	69.2%
ED Visits	64,949	65,791	35,720	37,113	75,615	81,986	62,840	63,821	31,352	33,663
Inpatient Surgeries	4,186	4,156	0	1,054	8,848	4,382	4,979	4,806	0	0
Outpatient Surgeries	4,162	4,092	3,415	1,486	5,264	1,978	5,201	5,250	8,532	3,510
Births	1,758	2,739	0	712	1,767	2,757	1,617	2,492	1,459	2,400
Payer Mix (Based on Discharges):										
Traditional Medicare	31.9%	32.5%	29.0%	26.7%	30.1%	30.0%	46.0%	44.9%	42.6%	44.0%
Managed Medicare	18.2%	18.7%	18.7%	19.7%	12.7%	14.0%	4.9%	7.2%	3.7%	2.6%
Traditional Medi-Cal	13.4%	11.0%	16.1%	14.4%	16.1%	13.7%	15.5%	12.8%	10.6%	9.1%
Managed Medi-Cal	3.1%	4.5%	6.1%	9.1%	6.6%	10.8%	3.6%	6.0%	5.0%	9.2%
County Indigent	0.0%	0.0%	0.0%	0.0%	1.9%	3.7%	0.0%	0.0%	0.0%	0.0%
Traditional Third-Party	1.9%	1.9%	2.6%	3.3%	12.1%	1.4%	2.3%	1.6%	0.6%	1.1%
Managed Third-Party	26.9%	28.3%	23.8%	23.5%	17.7%	20.8%	24.9%	25.1%	34.7%	32.4%
Other Indigent	2.3%	2.4%	1.4%	0.1%	1.2%	5.1%	1.7%	2.0%	1.0%	1.2%
Other	2.3%	0.7%	2.3%	3.2%	1.7%	0.5%	1.1%	0.5%	1.7%	0.4%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Income Statement:										
Gross Patient Revenue	\$1,784,409,585	\$1,763,545,589	\$839,384,368	\$820,715,517	\$2,134,418,432	\$2,303,893,504	\$2,345,752,137	\$2,280,288,445	\$1,389,165,025	\$1,438,532,102
Net Pt. Revenue	\$327,920,508	\$338,320,260	\$159,914,502	\$158,067,158	\$352,242,790	\$365,334,336	\$405,118,670	\$405,160,314	\$230,291,388	\$235,488,883
Other Operating Revenue	\$6,720,279	\$8,549,647	\$4,230,880	\$4,578,542	\$3,836,554	\$6,443,334	\$14,835,374	\$19,019,215	\$2,256,211	\$4,928,438
Total Operating Revenue	\$334,640,787	\$346,869,907	\$164,145,382	\$162,645,700	\$356,079,344	\$371,777,670	\$419,954,044	\$424,179,529	\$232,547,599	\$240,417,321
Total Operating Expenses	\$330,919,180	\$338,792,293	\$151,434,243	\$148,544,187	\$326,310,715	\$344,215,084	\$405,227,558	\$394,813,204	\$243,187,081	\$240,641,625
Net From Operations	\$3,721,607	\$8,077,614	\$12,711,139	\$14,101,513	\$29,768,629	\$27,562,586	\$14,726,486	\$29,366,325	(\$10,639,482)	(\$224,304)
Non-operating Revenue	\$4,450,061	\$5,147,600	-\$239,819	\$4,763,508	\$4,008,925	\$5,116,108	\$2,022,552	\$22,744,484	\$1,422,518	\$1,076,493
Non-operating Expenses	\$944,322	\$1,198,821	\$0	\$0	\$63,471	\$188,923	\$5,653,216	\$4,547,654	\$863,105	\$770,143
Provision for Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income	\$7,227,346	\$12,026,393	\$12,471,320	\$18,865,021	\$33,714,083	\$32,489,771	\$11,095,822	\$47,563,155	(\$10,080,069)	\$82,046
Other Financial:										
Charity Care Charges	\$55,007,595	\$65,131,977	\$19,021,607	\$23,769,390	\$102,894,030	\$119,751,821	\$47,452,129	\$59,337,632	\$27,432,570	\$23,902,106
Bad Debt Charges	\$16,700,986	\$12,788,711	\$6,385,056	\$5,299,755	\$13,692,738	\$10,909,984	\$12,079,127	\$11,621,507	\$8,793,444	\$7,131,135
Total Uncompensated Care	\$71,708,581	\$77,920,688	\$25,406,663	\$29,069,145	\$116,586,768	\$130,661,805	\$59,531,256	\$70,959,139	\$36,226,014	\$31,033,241
Cost to Charge Ratio	18.2%	18.7%	17.5%	17.5%	15.1%	14.7%	16.6%	16.5%	17.3%	16.4%
Cost of Charity	\$9,994,007	\$12,196,655	\$3,335,831	\$4,169,503	\$15,545,530	\$17,556,707	\$7,897,228	\$9,778,906	\$4,757,788	\$3,916,521
Uncompensated Care as % of Chgs.	4.0%	4.4%	3.0%	3.5%	5.5%	5.7%	2.5%	3.1%	2.6%	2.2%
State of Calif. Uncompensated Care ²	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Fiscal Year Ending	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012

* Unaudited data

¹ Excludes normal newborns

² Statewide average for hospitals

Source: OSHPD Disclosure Reports FY 2011-2012

- The combined net patient revenue for Providence's five hospitals was over \$1.5 billion for FY 2012;
- In FY 2012, the total cost of charity care was \$48,275,479, an increase of 14% from FY 2011; and
- In FY 2012, they had a total of 282,374 emergency department visits.

ANALYSIS OF THE HOSPITAL'S SERVICE AREA

Service Area Definition

The Hospital's service area is comprised of 29 ZIP Codes, from which approximately 67% of its discharges originated in 2012. Approximately 50% of the Hospital's discharges came from the top 12 ZIP Codes, located in Los Angeles, Santa Monica, Pacific Palisades, Venice, Marina del Rey, and Malibu. In 2012, the Hospital's market share in the service area was 15%.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE, 2012						
ZIP Codes	Community	Total Discharges	% of Discharges	Cumulative % of Discharges	Total Area Discharges	Market Share
90049	Los Angeles	753	5.8%	5.8%	2,795	26.9%
90272	Pacific Palisades	734	5.6%	11.4%	1,966	37.3%
90403	Santa Monica	705	5.4%	16.8%	2,180	32.3%
90025	Los Angeles	673	5.2%	22.0%	3,429	19.6%
90066	Los Angeles	641	4.9%	26.9%	4,505	14.2%
90405	Santa Monica	633	4.9%	31.8%	2,401	26.4%
90404	Santa Monica	580	4.5%	36.2%	2,453	23.6%
90064	Los Angeles	452	3.5%	39.7%	2,335	19.4%
90291	Venice	399	3.1%	42.8%	2,050	19.5%
90292	Marina Del Rey	354	2.7%	45.5%	1,928	18.4%
90402	Santa Monica	334	2.6%	48.0%	893	37.4%
90265	Malibu	331	2.5%	50.6%	1,285	25.8%
90045	Los Angeles	310	2.4%	53.0%	3,191	9.7%
90024	Los Angeles	270	2.1%	55.0%	2,875	9.4%
90034	Los Angeles	251	1.9%	57.0%	4,632	5.4%
90230	Culver City	201	1.5%	58.5%	3,022	6.7%
90401	Santa Monica	170	1.3%	59.8%	916	18.6%
90232	Culver City	124	1.0%	60.8%	1,684	7.4%
90210	Beverly Hills	118	0.9%	61.7%	2,297	5.1%
90293	Playa Del Rey	117	0.9%	62.6%	894	13.1%
90266	Manhattan Beach	109	0.8%	63.4%	2,543	4.3%
90035	Los Angeles	95	0.7%	64.1%	3,355	2.8%
90094	Los Angeles	93	0.7%	64.8%	445	20.9%
90077	Los Angeles	74	0.6%	65.4%	732	10.1%
90245	El Segundo	59	0.5%	65.9%	1,370	4.3%
90212	Beverly Hills	54	0.4%	66.3%	1,114	4.8%
90290	Topanga	53	0.4%	66.7%	400	13.3%
90067	Los Angeles	50	0.4%	67.1%	512	9.8%
90263	Malibu	2	0.0%	67.1%	19	10.5%
Subtotal		8,739	67.1%	67.1%	58,221	15.0%
Other ZIPs		4,288	32.9%	100%		
Total		13,027	100.0%			

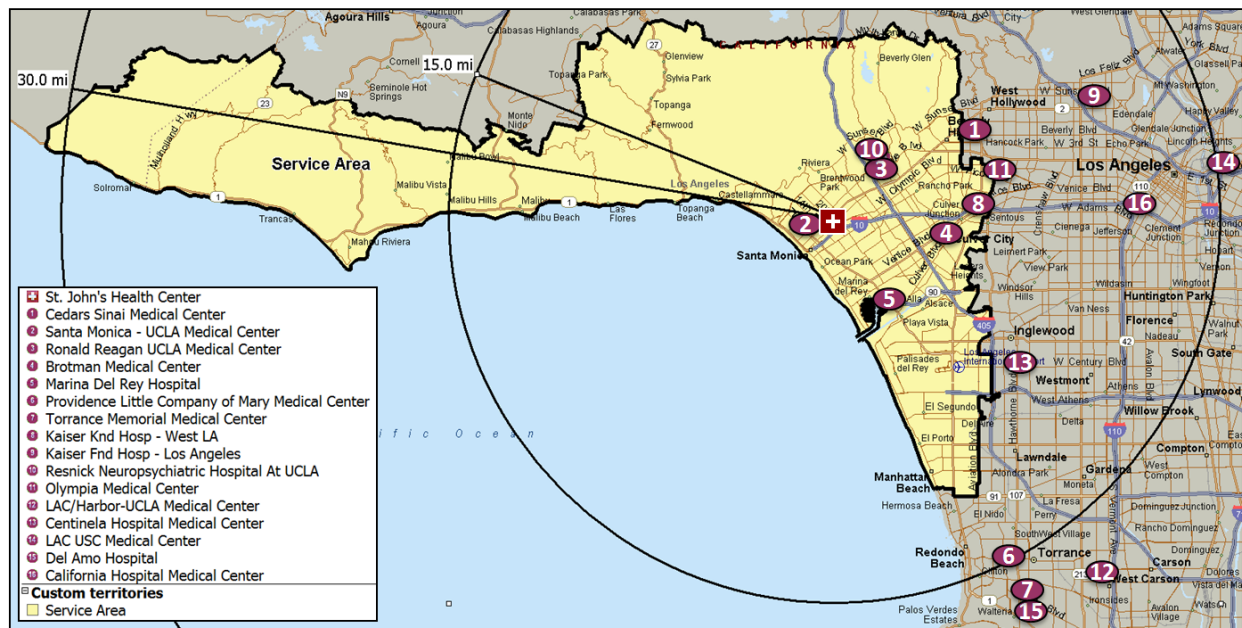
Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

Service Area Map

The Hospital's service area, with approximately 700,000 residents, includes the communities of Beverly Hills, Culver City, El Segundo, Los Angeles, Malibu, Manhattan Beach, Marina del Rey, Pacific Palisades, Playa del Rey, Santa Monica, Topanga, and Venice.

There are five other hospitals located within the Hospital's service area, including Santa Monica-UCLA Medical Center, Marina del Rey Hospital, Brotman Medical Center, Ronald Reagan UCLA Medical Center, and Kaiser-West LA. Cedars Sinai Medical Center (Cedars) and Olympia Medical Center are located just outside of the service area. Cedars is the market share leader in the Hospital's service area.



Demographic Profile

The Hospital's service area population is projected to grow by 1.9% over the next five years. This is higher than the expected growth rate for Los Angeles County (0.9%) but lower than the expected growth rate statewide (3.5%).

SERVICE AREA POPULATION STATISTICS 2013-2018			
	2013 Estimate	2018 Projection	% Change
Total Population	699,322	712,771	1.9%
Households	316,284	323,844	2.4%
Percentage Female	51.5%	51.4%	1.7%

Source: Applied Geographic Solutions

The median age of the population in the Hospital's service area is 38.4 years, higher than the statewide median age of 35.5 years. The percentage of adults over the age of 65 is the fastest growing age cohort increasing by approximately 13% between 2013 and 2018. The number of women of child-bearing age is expected to decrease slightly over the next five years.

SERVICE AREA POPULATION AGE DISTRIBUTION: 2013-2018				
	2013 Estimate		2018 Projection	
	Population	% of Total	Population	% of Total
Age 0-14	95,539	13.7%	97,143	13.6%
Age 15-44	325,129	46.5%	323,106	45.3%
Age 45-64	180,147	25.8%	181,530	25.5%
Age 65+	98,506	14.1%	110,990	15.6%
Total	699,321	100%	712,770	100%
Female 15-44	165,161	23.6%	163,724	23.0%
Median Age	38.4		38.9	

Source: Applied Geographic Solutions

The largest population cohorts in the Hospital's service area are Whites (71%) and Asian/Pacific Islanders (13%). Approximately 84% of the service area is of Non-Hispanic ethnicity. This is considerably higher when compared to the Los Angeles County and California Non-Hispanic ethnic population of 61% and 51%, respectively.

SERVICE AREA POPULATION RACE/ETHNICITY: 2013-2018		
	2013	2018
White	71.0%	70.6%
Black	4.9%	5.0%
American Indian or Alaska Native	0.4%	0.4%
Asian or Pacific Islander	12.7%	12.9%
Some Other Race	5.9%	5.7%
Two or More Races	5.1%	5.4%
Total	100%	100%
Hispanic Ethnicity	16.0%	17.1%
Non-Hispanic or Latino	84.0%	82.9%
Total	100%	100%

Source: Applied Geographic Solutions

The Hospital's service area's households are relatively affluent with an average household income of \$126,535. This is nearly 50% above the county average of \$84,519, and 42% above the statewide average of \$89,357. Projections anticipate that the percentage of higher income households (\$150,000+) in the Hospital's service area will grow at slower rate than those for the county and state, however, will still represent a much higher percentage of households.

SERVICE AREA POPULATION HOUSEHOLD INCOME DISTRIBUTION: 2013-2018												
	2013 Estimate						2018 Projection					
	Service Area		Los Angeles County		California		Service Area		Los Angeles County		California	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
\$0 - \$15,000	31,551	10.0%	411,586	12.4%	1,365,433	10.6%	26,225	8.1%	352,375	10.4%	1,196,655	8.9%
\$15,000 - \$24,999	22,846	7.2%	350,347	10.6%	1,228,999	9.5%	20,153	6.2%	322,794	9.5%	1,154,982	8.5%
\$25,000 - \$34,999	20,497	6.5%	315,222	9.5%	1,153,735	8.9%	18,151	5.6%	291,120	8.6%	1,089,923	8.1%
\$35,000 - \$49,999	31,114	9.8%	418,194	12.6%	1,606,017	12.4%	27,488	8.5%	386,685	11.4%	1,523,977	11.3%
\$50,000 - \$74,999	49,756	15.7%	588,331	17.8%	2,255,741	17.4%	45,102	13.9%	552,838	16.3%	2,157,380	16.0%
\$75,000 - \$99,999	37,092	11.7%	394,011	11.9%	1,662,694	12.9%	40,542	12.5%	446,598	13.2%	1,817,827	13.4%
\$100,000 - \$149,999	52,234	16.5%	457,765	13.8%	2,033,274	15.7%	61,702	19.1%	568,927	16.8%	2,531,113	18.7%
\$150,000 +	71,194	22.5%	376,207	11.4%	1,630,505	12.6%	84,481	26.1%	465,878	13.8%	2,047,065	15.1%
Total	316,284	100%	3,311,663	100%	12,936,398	100%	323,844	100%	3,387,215	100%	13,518,922	100%
Average Household Income	\$126,535		\$84,519		\$89,357		\$144,152		\$96,086		\$100,604	

Source: Applied Geographic Solutions

Service Area Medi-Cal Eligibles

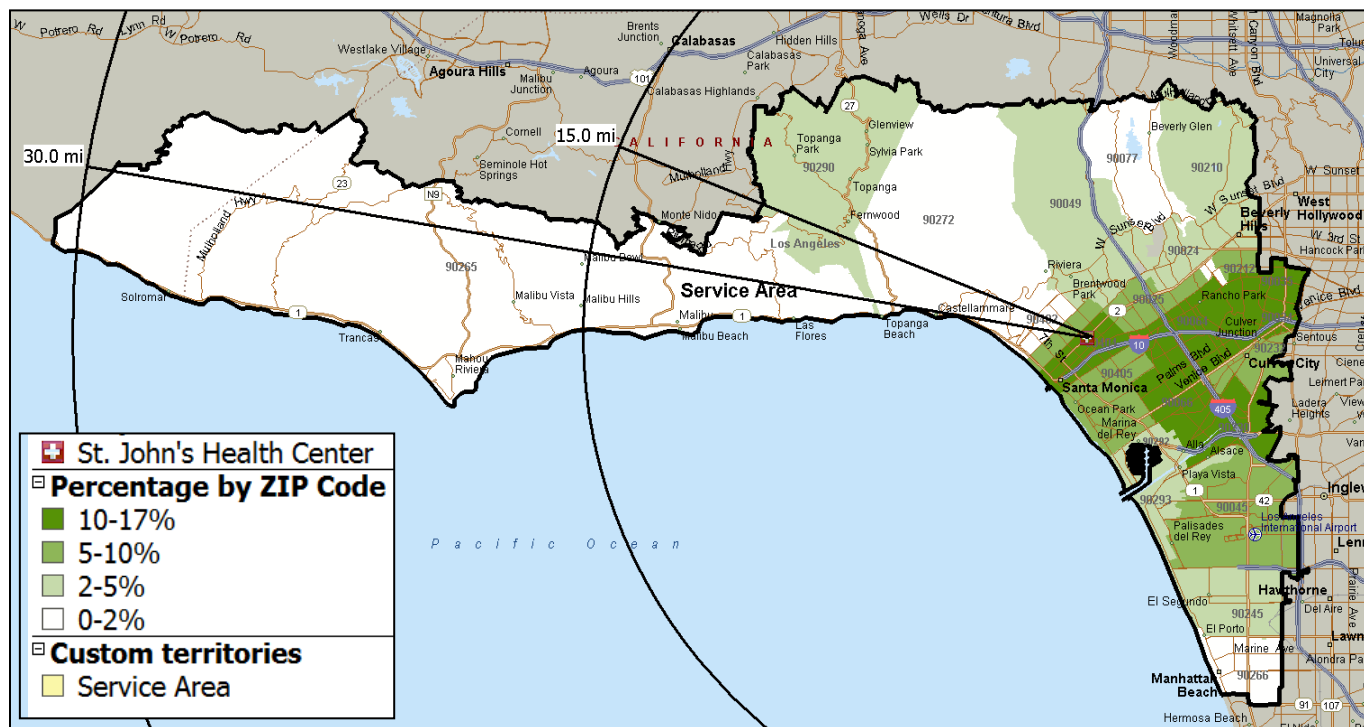
In 2011, a relatively low percent (7.7%) of the population in the Hospital's service area was eligible for Medi-Cal. Approximately 23% of the population in Los Angeles County and 19% of the population in California is eligible for Medi-Cal. The percentage of the population that is eligible for Medi-Cal in each of the service area's ZIP Codes ranges from 0% to 16.6%. The number and percentage of the population that is eligible for Medi-Cal is expected to grow as a result of the 2010 Federal Patient Protection and Affordable Care Act and the State of California's decision to expand the Medi-Cal program.

SERVICE AREA MEDI-CAL ELIGIBLES 2011				
ZIP Codes	City	Eligibles	2011 Population	Percentage
90024	Los Angeles	1,286	48,579	2.6%
90025	Los Angeles	3,761	42,256	8.9%
90034	Los Angeles	8,409	58,824	14.3%
90035	Los Angeles	3,594	29,070	12.4%
90045	Los Angeles	2,355	40,323	5.8%
90049	Los Angeles	927	36,540	2.5%
90064	Los Angeles	4,145	25,030	16.6%
90066	Los Angeles	6,537	54,674	12.0%
90067	Los Angeles	60	2,451	2.4%
90077	Los Angeles	224	9,341	2.4%
90094	Playa Vista	133	4,827	2.8%
90210	Beverly Hills	818	23,878	3.4%
90212	Beverly Hills	639	11,545	5.5%
90230	Culver City	4,850	32,114	15.1%
90232	Culver City	1,633	16,864	9.7%
90245	El Segundo	681	16,979	4.0%
90263	Malibu	0	1,622	0.0%
90265	Malibu	387	18,341	2.1%
90266	Manhattan Beach	469	35,478	1.3%
90272	Pacific Palisades	343	23,420	1.5%
90290	Topanga	206	6,130	3.4%
90291	Venice	2,367	29,268	8.1%
90292	Marina del Rey	907	22,437	4.0%
90293	Playa del Rey	382	11,450	3.3%
90401	Santa Monica	1,021	6,418	15.9%
90402	Santa Monica	244	12,686	1.9%
90403	Santa Monica	1,638	24,160	6.8%
90404	Santa Monica	3,253	22,251	14.6%
90405	Santa Monica	2,054	26,984	7.6%
Total		53,323	693,940	7.7%

Source: California Department of Health Care Services, AGS

- While Medi-Cal patients account for 10.6% of the service area inpatient discharges, they only represent approximately 2.2% of the Hospital's inpatient discharges.

Below is a map highlighting the ZIP Codes where the highest percentages of Medi-Cal eligibles reside.



Selected Health Indicators

A review of health indicators³ for Los Angeles County (deaths, diseases, and births) supports the following conclusions:

- Health indicators for first trimester prenatal care and adequate/adequate plus care in Los Angeles County are superior to those statewide and the national goal. The rate for the measure on low birth weight infants is above the rate for California but lower than the national goal.

NATALITY STATISTICS: 2013			
Health Status Indicator	Los Angeles		National Goal
	County	California	
Low birth weight infants	7.2%	6.8%	7.8%
First Trimester Prenatal Care	85.9%	83.3%	77.9%
Adequate/Adequate Plus Care	83.4%	79.7%	77.6%

Source: California Department of Health Care Services

- The overall age-adjusted mortality rate for Los Angeles County is lower than that of the State of California. Los Angeles County's age-adjusted rates for eleven of the eighteen causes of mortality are lower than the statewide rate. The county's age-adjusted rates are higher in

³ Source: California Department of Health Services' County Health Status Profiles 2013

colorectal cancer, female breast cancer, diabetes, coronary heart disease, influenza/pneumonia, chronic liver disease, and homicide. Los Angeles County reported lower age adjusted death rates for seven out of the fourteen reported national goals based on underlying and contributing cause of death.

MORTALITY STATISTICS: 2013 RATE PER 100,000 POPULATION				
Selected cause	Los Angeles County		(Age Adjusted)	
	Crude Death Rate	Age Adjusted Death Rate	California	National Goal
All Causes	584.2	629.1	654.9	n/a
- All Cancers	141.5	153.1	156.4	160.6
- Colorectal Cancer	13.8	14.9	14.7	14.5
- Lung Cancer	29.9	33.0	36.5	45.5
- Female Breast Cancer	22.9	21.9	21.3	20.6
- Prostate Cancer	15.7	21.7	21.9	21.2
- Diabetes	20.5	22.3	20.2	n/a
- Alzheimer's Disease	22.8	24.9	30.5	n/a
- Coronary Heart Disease	129.1	139.5	122.4	100.8
- Cerebrovascular Disease (Stroke)	33.4	36.5	38.1	33.8
- Influenza/Pneumonia	20.8	22.9	17.3	n/a
- Chronic Lower Respiratory Disease	30.0	33.4	37.5	n/a
- Chronic Liver Disease And Cirrhosis	12.4	12.6	11.4	8.2
- Accidents (Unintentional Injuries)	19.9	20.0	27.6	36.0
- Motor Vehicle Traffic Crashes	6.3	6.2	7.5	12.4
- Suicide	7.9	7.8	10.2	10.2
- Homicide	6.7	6.4	5.2	5.5
- Firearm-Related Deaths	8.1	7.8	7.8	9.2
- Drug-Induced Deaths	7.2	7.0	10.9	11.3

Source: California Department of Public Health, Center for Health Statistics, 2013

- Los Angeles County has higher morbidity rates for reported conditions than California overall as shown in the table below. The Los Angeles County rate of incidence of the health status indicators is higher than the national goals in all indicators with the exception of gonorrhea among females ages 15-44.

MORBIDITY STATISTICS: 2013 RATE PER 100,000 POPULATION			
Health Status Indicator	Los Angeles County	California	National Goal
AIDS	14.0	9.7	13.00
Chlamydia	492.1	417.6	n/a
Gonorrhea Female 15-44	152.9	125.9	257.00
Gonorrhea Male 15-44	241.8	164.9	198.00
Tuberculosis	7.4	6.4	1.00

Source: California Department of Health Care Services

2010 Community Health Needs Assessment

In 2010, DNA and Company prepared a community needs assessment for the Hospital. The Hospital defined its service area for purposes of the assessment to include the cities of Bel Air, Beverly Hills, Brentwood, Culver City, Encino, Malibu, Mar Vista, Marina del Rey, Pacific Palisades, Playa del Rey, Santa Monica, Sherman Oaks, Venice, West Hollywood, Westchester, Westwood, West Los Angeles Palms and Rancho Park.

Based upon the defined service area, the study included a summary of population and household demographics, measures related to access to healthcare, mortality, and findings from the community interviews as provided below:

- Adults within the Hospital's service area are heavier, exercise less, and are diagnosed with diabetes at higher rates than the Healthy People 2010 target;
- Among children and teens within the Hospital's service area, 61% reported exercising vigorously, versus Healthy People 2010 target of 65%;
- The most important health needs in the community among those living in poverty were identified to be the following:
 - Access to health care services;
 - Mental health care;
 - Dental care;
 - Nutrition; and
 - Parenting and early childhood education.
- The most important health needs in the community among the general population were identified to be the following:
 - Access to affordable health insurance and healthcare services;
 - Health promotion and preventive services;
 - Mental health;
 - Dental care; and
 - Elderly and end of life issues.

Hospital Supply, Demand, and Market Share

There are five other general acute care hospitals within the Hospital's service area that, together with the Hospital, have a combined total of 1,799 licensed beds and an aggregate occupancy rate of 62.6%. Hospitals in the service area run at occupancy rates that range between 37% at Kaiser-West LA to over 96% at Ronald Reagan UCLA Medical Center. The Hospital's 266 licensed beds represent approximately 15% of the area's beds, and its inpatient volume accounts for approximately 17% of discharges and 12% of patient days.

An analysis of the services offered by the Hospital in comparison to services offered by other providers is shown on the following pages. The hospitals shown in the table below were analyzed to determine area hospital available bed capacity by service.

AREA HOSPITAL DATA: 2012									
Hospital	Ownership/Affiliation	City	Within Service Area	Licensed Beds	Discharges	Patient Days	Occupied Beds	Percent Occupied	Miles from Hospital
Saint John's Health Center*	Sisters of Charity of Leavenworth	Santa Monica	X	266	12,713	50,894	139	52.3%	-
Santa Monica-UCLA Medical Center	Regents of the University of California	Santa Monica	X	266	14,458	74,559	204	76.6%	0.5
Ronald Reagan UCLA Medical Center	Regents of the University of California	Los Angeles	X	466	23,508	163,916	448	96.1%	3.6
Marina del Rey Hospital*	CFHS Holdings	Marina del Rey	X	90	4,427	15,800	43	48.0%	5.3
Brotman Medical Center*	Brotman Medical Center, Inc.	Culver City	X	406	9,256	66,268	181	44.6%	6.1
Kaiser Foundation Hospital - West LA*	Kaiser Foundation Hospitals	Los Angeles	X	305	11,761	40,797	111	36.5%	6.6
SUB-TOTAL				1,799	76,123	412,234	1,126	62.6%	
Cedars Sinai Medical Center	Cedars Sinai Medical Center	Los Angeles		947	49,230	255,010	697	73.6%	6.8
Olympia Medical Center*	Olympia Medical Center	Los Angeles		204	6,034	29,976	82	40.1%	7.8
Kaiser Foundation Hospital - Los Angeles*	Kaiser Foundation Hospitals	Los Angeles		464	25,214	132,476	362	78.0%	12.4
Little Company of Mary Medical Center*	Providence Health & Services	Torrance		442	20,921	90,969	249	56.2%	18.3
Torrance Memorial Medical Center*	Torrance Hospital Association	Torrance		401	24,501	100,882	276	68.7%	20.2
LAC/Harbor-UCLA Medical Center*	LA County Dept. of Health Services	Torrance		538	20,386	116,348	318	59.1%	21.6
TOTAL				4,795	222,409	1,137,895	3,109	64.8%	

Source: OSHPD Disclosure Reports, 2012

*Unaudited

- There is very little available bed capacity in the Santa Monica area based on the high occupancy rates of area hospitals. Ronald Reagan UCLA Medical Center and Santa Monica-UCLA Medical Center, both located within 5 miles of the Hospital, are running at an occupancy rate of 96% and 77%, respectively. The four largest providers of inpatient services to the service area by market share (the Hospital, Santa Monica-UCLA Medical Center, Ronald Reagan UCLA Medical Center, and Cedars), operate at a combined average occupancy rate of 77%; and
- Three hospitals (Brotman Medical Center, Marina del Rey Hospital, and Cedars) are providing services to area patients and have buildings that are seismically designated as SPC-2 or lower.

Hospital Market Share

The table below illustrates market share discharges by individual hospital within the Hospital's service area over the past five years.

SERVICE AREA HOSPITAL MARKET SHARE 2008-2012						
Hospital Name	2008	2009	2010	2011	2012	Trend
Cedars Sinai Medical Center	20.8%	21.4%	21.3%	21.0%	21.0%	↔
St. John's Health Center	16.9%	17.0%	16.7%	15.6%	15.0%	↘
Santa Monica-UCLA Medical Center	13.3%	13.7%	13.4%	13.9%	14.1%	↗
Ronald Reagan UCLA Medical Center	10.5%	9.9%	10.5%	10.9%	10.9%	↔
Brotman Medical Center	5.3%	5.3%	4.9%	5.1%	5.1%	↔
Kaiser Fnd Hosp - West LA	5.0%	5.2%	5.2%	5.2%	4.9%	↘
Marina Del Rey Hospital	3.6%	3.4%	3.7%	3.6%	3.5%	↔
Providence Little Company of Mary Medical Center - Torrance	2.7%	2.8%	2.8%	2.7%	2.6%	↔
Torrance Memorial Medical Center	2.0%	2.1%	2.0%	2.3%	2.0%	↔
Kaiser Fnd Hosp - Los Angeles	1.1%	0.9%	1.2%	1.3%	1.2%	↔
Resnick Neuropsychiatric Hospital At UCLA	1.1%	1.2%	1.1%	1.3%	1.2%	↔
Olympia Medical Center	1.6%	1.8%	1.7%	1.6%	1.1%	↘
Lac/Harbor-UCLA Medical Center	1.2%	1.1%	1.1%	1.0%	1.0%	↔
Centinela Hospital Medical Center	1.2%	1.0%	0.9%	0.8%	0.9%	↔
LAC+USC Medical Center	0.8%	0.7%	0.8%	0.9%	0.9%	↔
Del Amo Hospital	0.5%	0.5%	0.7%	0.8%	0.7%	↔
California Hospital Medical Center - Los Angeles	0.3%	0.3%	0.4%	0.5%	0.6%	↗
Sub Total	88.0%	88.3%	88.5%	88.3%	86.7%	↘
Other	12.0%	11.7%	11.5%	11.7%	13.3%	↗
Total Percentage	100%	100%	100%	100%	100%	
Total Discharges	57,621	57,503	58,915	57,539	58,221	↗

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The number of discharges in the Hospital's service area has remained relatively stable between 2008 and 2012;
- Over the last five years the Hospital has consistently ranked second in terms of overall market share for its service area based on discharges (15% in FY 2012). However, the Hospital's market share has dropped from nearly 17% in 2008 to 15% in 2012. Cedars ranked first in inpatient discharges with 21% market share in 2012;
- Santa Monica-UCLA Medical Center has increased its market share slightly over the five year period to 14% in 2012; and
- Providence Little Company of Mary Medical Center-Torrance is the Providence hospital with the greatest market share in the Hospital's service area, averaging 2.6% market share in 2012.

The following table illustrates hospital market share by payer category as reported by OSHPD for 2012.

HOSPITAL MARKET SHARE BY PAYER TYPE, 2012											
Payer Type	Total Discharges	Cedars Sinai	St. John's Health Center	Santa Monica-UCLA Medical Center	Ronald Reagan UCLA Medical Center	Southern California Health System, Inc. at Culver City	Kaiser Fnd Hosp - West La	Marina Del Rey Hospital	Providence Little Company of Mary Mc - Torrance	All Others	Total
Medicare	25,585	21.2%	17.5%	16.7%	9.0%	5.7%	5.2%	4.9%	2.9%	16.8%	100.0%
Private Coverage	23,479	24.7%	16.6%	11.7%	11.8%	4.3%	6.0%	2.3%	2.7%	19.9%	100.0%
Medi-Cal	6,192	10.1%	2.5%	16.3%	16.7%	5.4%	1.2%	2.3%	1.2%	44.3%	100.0%
Uninsured	2,087	13.0%	7.1%	5.7%	5.2%	6.4%	3.1%	4.0%	2.1%	53.2%	100.0%
Other	878	8.9%	3.8%	4.9%	11.7%	2.6%	0.1%	3.9%	3.1%	61.0%	100.0%
Grand Total	58,221	21.0%	15.0%	14.1%	10.9%	5.1%	4.9%	3.5%	2.6%	23.0%	100.0%

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The largest categories of service area inpatient discharges are Medicare at 44%, followed by Private Coverage at 40%, and Medi-Cal at 10%;
- Cedars is the market share leader for Medicare (21%), Private Coverage (25%), and Uninsured (13%);
- Ronald Reagan UCLA Medical Center ranks first in Medi-Cal (17%) and Other (12%); and
- The Hospital, despite not being the market leader in any payer category, has a high market share of Medicare (18%) and Private Coverage (17%).

Market Share by Service Line

The following table illustrates service area hospital market share by service line for 2012.

HOSPITAL MARKET SHARE BY SPECIALTY, 2012											
Service Line	Total Discharges	Cedars Sinai Medical Center	St. John's Health Center	Santa Monica - UCLA Medical Center	Ronald Reagan UCLA Medical Center	Brotman Medical Center	Kaiser Fnd Hosp - West La	Marina Del Rey Hospital	Providence Little Company Of Mary	All Others	Total
General Medicine	16,755	17.5%	15.2%	20.0%	8.1%	6.3%	5.6%	5.3%	2.9%	19.3%	100%
Obstetrics	7,492	29.5%	19.9%	11.8%	15.4%	0.0%	7.3%	0.1%	2.5%	13.6%	100%
Cardiac Services	6,319	19.4%	14.6%	15.9%	10.7%	5.8%	3.7%	5.6%	3.8%	20.5%	100%
Behavioral Health	4,347	1.8%	1.4%	1.7%	1.0%	18.7%	0.4%	0.6%	0.3%	74.1%	100%
General Surgery	4,268	23.2%	16.2%	12.1%	13.8%	2.9%	6.9%	3.7%	3.1%	18.1%	100%
Orthopedics	4,140	20.6%	26.6%	14.8%	4.5%	2.1%	5.3%	3.8%	2.5%	19.7%	100%
Neonatology	2,540	36.2%	13.6%	8.6%	19.3%	0.0%	8.7%	0.0%	1.6%	12.0%	100%
Neurology	2,392	20.9%	10.8%	13.5%	18.5%	4.3%	3.4%	5.4%	4.0%	19.2%	100%
Oncology/Hematology (Medical)	2,039	16.8%	12.2%	24.9%	12.5%	3.8%	3.9%	2.9%	2.4%	20.6%	100%
Spine	1,703	30.1%	16.3%	12.2%	3.8%	1.9%	0.4%	9.7%	3.0%	22.5%	100%
Other	1,024	25.1%	16.5%	7.0%	20.4%	1.9%	2.2%	2.8%	2.1%	22.0%	100%
Urology	1,022	31.2%	10.2%	10.9%	11.7%	2.5%	9.6%	2.3%	2.2%	19.4%	100%
Gynecology	975	28.2%	17.7%	5.9%	13.3%	0.9%	3.8%	1.0%	4.8%	24.2%	100%
ENT	945	24.7%	13.4%	13.1%	18.6%	2.0%	3.7%	2.3%	1.7%	20.4%	100%
Vascular Services	907	20.4%	15.8%	11.6%	16.0%	7.7%	3.5%	2.1%	2.9%	20.1%	100%
Rehabilitation	673	27.8%	0.0%	0.0%	12.0%	23.2%	0.0%	0.0%	0.0%	37.0%	100%
Neurosurgery	508	30.5%	12.2%	1.2%	36.6%	0.6%	0.2%	0.8%	0.4%	17.5%	100%
<All others>	172	17.4%	8.7%	5.8%	26.7%	2.3%	1.7%	4.7%	2.3%	30.2%	100%
Grand Total	58,221	12,199	8,728	8,188	6,341	2,961	2,861	2,064	1,529	13,350	100%

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is the service line leader in one out of sixteen service lines (orthopedics 27%);
- Other service lines where the Hospital has a notable market share include obstetrics (20%), gynecology (18%), spine (16%), general surgery (16%), and vascular services (16%);
- In 2012, Cedars had the highest market share in the service area (21%) and was the market share leader for eleven service lines including neonatology (36%), urology (31%), obstetrics (30%), and spine (30%);
- Santa Monica-UCLA Medical Center had the highest market share in general medicine (20%) and oncology/hematology (25%);
- Ronald Reagan UCLA Medical Center had the highest market share in neurosurgery (37%); and
- Brotman Medical Center had the highest market share in behavioral health (19%).

Market Share by ZIP Code

The following table illustrates service area hospital market share by ZIP Code for 2012.

HOSPITAL MARKET SHARE BY ZIP CODE, 2012												
ZIP Code	Community	Total Discharges	Cedars Sinai Medical Center	St. John's Health Center	Santa Monica-UCLA Medical Center	Ronald Reagan Ucla Medical Center	Brotman Medical Center	Kaiser Fnd Hosp - West La	Marina Del Rey Hospital	Providence Little Company Of Mary	All Others	Total
90034	Los Angeles	4,632	21.1%	5.4%	8.2%	11.0%	15.0%	9.3%	0.9%	0.7%	28.5%	100%
90066	Los Angeles	4,505	10.8%	14.2%	16.6%	13.9%	7.0%	7.8%	7.8%	1.4%	20.6%	100%
90025	Los Angeles	3,429	20.5%	19.6%	16.5%	17.1%	2.9%	4.3%	0.4%	0.1%	18.4%	100%
90035	Los Angeles	3,355	50.8%	2.8%	3.4%	3.8%	4.8%	7.9%	0.1%	0.2%	26.2%	100%
90045	Los Angeles	3,191	11.0%	9.7%	8.7%	7.3%	3.2%	7.6%	15.5%	4.5%	32.3%	100%
90230	Culver City	3,022	13.5%	6.6%	13.6%	11.6%	13.5%	9.1%	6.7%	1.6%	23.8%	100%
90024	Los Angeles	2,875	35.2%	9.4%	11.0%	26.7%	0.9%	2.5%	0.2%	0.1%	14.0%	100%
90049	Los Angeles	2,795	21.6%	26.9%	16.0%	15.8%	1.1%	2.2%	0.5%	0.0%	15.8%	100%
90266	Manhattan Beach	2,543	11.2%	4.3%	2.8%	5.3%	0.3%	0.5%	1.7%	30.1%	43.9%	100%
90404	Santa Monica	2,453	6.0%	23.6%	33.2%	8.3%	6.0%	3.4%	0.7%	0.3%	18.6%	100%
90405	Santa Monica	2,401	9.0%	26.4%	27.6%	10.1%	4.5%	3.3%	0.7%	0.2%	18.2%	100%
90064	Los Angeles	2,335	25.5%	19.4%	12.9%	12.7%	3.0%	7.0%	0.5%	0.2%	18.8%	100%
90210	Beverly Hills	2,297	66.9%	5.1%	3.0%	5.7%	1.3%	1.3%	0.2%	0.2%	16.2%	100%
90403	Santa Monica	2,180	10.6%	32.3%	29.2%	8.6%	1.5%	2.5%	0.6%	0.3%	14.3%	100%
90291	Venice	2,050	11.0%	19.5%	22.2%	9.0%	4.0%	5.4%	7.4%	0.7%	20.9%	100%
90272	Pacific Palisades	1,966	11.0%	37.3%	19.9%	10.5%	1.0%	2.4%	0.7%	0.4%	16.7%	100%
90292	Marina Del Rey	1,928	18.5%	18.4%	12.8%	8.8%	3.1%	4.5%	15.2%	1.7%	17.1%	100%
90232	Culver City	1,684	16.4%	7.4%	8.9%	10.6%	24.2%	9.5%	2.9%	0.5%	19.5%	100%
90245	El Segundo	1,370	6.1%	4.3%	4.5%	4.8%	1.5%	2.7%	7.1%	23.9%	45.1%	100%
90265	Malibu	1,285	10.9%	25.8%	20.5%	8.7%	1.2%	1.2%	0.9%	0.1%	30.7%	100%
90212	Beverly Hills	1,114	63.4%	4.8%	3.8%	4.6%	1.3%	3.5%	0.5%	0.1%	18.0%	100%
90401	Santa Monica	916	6.9%	18.6%	25.4%	8.3%	6.2%	1.3%	0.8%	0.1%	32.4%	100%
90293	Playa Del Rey	894	11.9%	13.1%	13.6%	7.6%	2.9%	4.4%	17.1%	3.7%	25.7%	100%
90402	Santa Monica	893	12.0%	37.4%	25.5%	9.7%	0.9%	1.3%	0.7%	0.1%	12.3%	100%
90077	Los Angeles	732	34.7%	10.1%	8.2%	23.4%	0.3%	0.7%	0.1%	0.0%	22.5%	100%
90067	Los Angeles	512	53.1%	9.8%	5.5%	11.5%	2.1%	1.2%	0.2%	0.0%	16.6%	100%
90094	Los Angeles	445	22.9%	20.9%	10.8%	9.2%	1.3%	5.2%	8.1%	1.6%	20.0%	100%
90290	Topanga	400	8.5%	13.3%	10.8%	9.0%	1.3%	1.0%	0.3%	0.0%	56.0%	100%
90263	Malibu	19	0.0%	10.5%	26.3%	0.0%	0.0%	0.0%	0.0%	0.0%	63.2%	100%
Grand Total		58,221	21.0%	15.0%	14.1%	10.9%	5.1%	4.9%	3.5%	2.6%	22.9%	100%
			12,200	8,737	8,193	6,343	2,961	2,866	2,064	1,529	13,328	

Note: Excludes normal newborns

Source: OSHPD Patient Discharge Database

- The Hospital is the market share leader in seven of the ZIP Codes within its service area. In three of these ZIP Codes, the Hospital had over 30% of the market share in 2012. The communities represented by these ZIP Codes include Santa Monica and Pacific Palisades;
- Providence Little Company of Mary Medical Center-Torrance is the market share leader in two service area ZIP Codes, located in Manhattan Beach and El Segundo, with 30% and 24% market share, respectively;
- Cedars is the market share leader in eleven service area ZIP Codes, four of which have over 50% market share; and
- Santa Monica-UCLA Medical Center is the market share leader in seven service area ZIP Codes including three ZIP Codes located in Santa Monica.

Service Availability by Bed Type

The tables on the following pages illustrate existing hospital bed capacity, occupancy, and bed availability for medical/surgical, critical care, obstetrics, pediatrics, and emergency services (FY 2012 data).

Medical/Surgical Capacity Analysis

The overall occupancy rate for medical/surgical beds in the service area is 57%. While the overall occupancy appears low, the major providers of care that have the greatest market share in the service area are all running at high occupancy rates. Santa Monica-UCLA Medical Center has an occupancy rate of over 83%, Ronald Reagan UCLA Medical Center has an occupancy rate of nearly 96%, and Cedars' occupancy rate is approximately 84%.

MEDICAL/SURGICAL BEDS 2012							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Saint John's Health Center*	-	X	196	10,297	38,152	104.2	53.2%
Santa Monica-UCLA Medical Center	0.5	X	176	11,121	53,641	146.6	83.3%
Ronald Reagan UCLA Medical Center	3.6	X	203	12,643	70,975	193.9	95.5%
Marina del Rey Hospital*	5.3	X	42	1,829	5,967	16.3	38.8%
Brotman Medical Center*	6.1	X	245	5,704	26,145	71.4	29.2%
Kaiser Foundation Hospital - West Los Angeles*	6.6	X	227	9,641	31,644	86.5	38.1%
SUB-TOTAL			1,089	51,235	226,524	618.9	56.8%
Cedars Sinai Medical Center	6.8		431	27,922	132,023	360.7	83.7%
Olympia Medical Center*	7.8		133	4,219	16,093	44.0	33.1%
Kaiser Foundation Hospital - Los Angeles*	12.4		192	13,899	59,295	162.0	84.4%
Little Company of Mary Medical Center*	18.3		185	10,995	36,701	100.3	54.2%
Torrance Memorial Medical Center*	20.2		180	11,373	39,063	106.7	59.3%
LAC/Harbor-UCLA Medical Center*	21.6		298	15,313	73,997	202.2	67.8%
TOTAL			2,508	134,956	583,696	1594.8	63.6%

Source: OSHPD Disclosure Reports, 2012

*Unaudited

- The Hospital reported approximately 10,300 inpatient hospital discharges and 38,200 patient days resulting in an occupancy rate of 53%; and
- The Hospital's 196 licensed medical/surgical beds represented approximately 18% of the beds in this category for the service area overall.

Intensive Care Unit/Coronary Care Unit Capacity Analysis

There are 223 intensive care unit/coronary care unit beds within the service area, with an overall occupancy rate of approximately 78%. The Hospital has 23 licensed intensive care unit/coronary care unit beds with a 56% average occupancy rate in 2012 (average daily census of 12.9).

INTENSIVE CARE UNIT/CORONARY CARE UNIT BEDS 2012							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Saint John's Health Center*	-	X	23	631	4,711	12.9	56.0%
Santa Monica-UCLA Medical Center	0.5	X	18	570	6,830	18.7	103.7%
Ronald Reagan UCLA Medical Center	3.6	X	117	2,760	41,338	112.9	96.5%
Marina del Rey Hospital*	5.3	X	12	567	2,288	6.3	52.1%
Brotman Medical Center*	6.1	X	20	370	5,116	14.0	69.9%
Kaiser Foundation Hospital - West Los Angeles*	6.6	X	33	208	3,742	10.2	31.0%
SUB-TOTAL			223	5,106	64,025	174.9	78.4%
Cedars Sinai Medical Center	6.8		118	1,336	27,798	76.0	64.4%
Olympia Medical Center*	7.8		37	180	3,268	8.9	24.1%
Kaiser Foundation Hospital - Los Angeles*	12.4		112	3,178	33,451	91.4	81.6%
Little Company of Mary Medical Center*	18.3		28	668	7,654	20.9	74.7%
Torrance Memorial Medical Center*	20.2		30	1,910	8,469	23.1	77.1%
LAC/Harbor-UCLA Medical Center*	21.6		50	627	13,358	36.5	73.0%
TOTAL			598	13,005	158,023	431.8	72.2%

Source: OSHPD Disclosure Reports, 2012

*Unaudited

- The average daily census for all service area hospitals was 175 based on over 64,000 patient days;
- Service area intensive care unit/coronary care unit beds in the vicinity of the Hospital ran at a high occupancy rate in 2012. Santa Monica-UCLA Medical Center, located less than a mile from the Hospital, has an occupancy rate of nearly 104%, and Ronald Reagan UCLA Medical Center, located 3.6 miles from the Hospital, has an occupancy rate of nearly 97%. At these high rates, hospitals are not able to accommodate many patients, are forced to go on diversion, and are not able to respond to seasonal fluctuations and catastrophic events. Overall, service area hospitals have a combined occupancy rate of nearly 80%, and would be challenged to accommodate any additional volume; and
- Any reduction in intensive care unit/coronary care unit beds at the Hospital could impact the availability and accessibility of services.

Obstetrics Capacity Analysis

As shown below, in 2012, there were 100 obstetrics beds located in the service area with an aggregate occupancy rate of 62%. The Hospital reported 29 licensed obstetric beds with an occupancy rate of 59%.

OBSTETRICS BEDS 2012							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Saint John's Health Center*	-	X	29	1,926	6,229	17.0	58.7%
Santa Monica-UCLA Medical Center	0.5	X	26	1,440	7,121	19.5	74.8%
Ronald Reagan UCLA Medical Center	3.6	X	17	2,095	6,067	16.6	97.5%
Marina del Rey Hospital*	5.3	X	-	-	-	-	-
Brotman Medical Center*	6.1	X	-	-	-	-	-
Kaiser Foundation Hospital - West Los Angeles*	6.6	X	28	1,688	3,297	9.0	32.2%
SUB-TOTAL			100	7,149	22,714	62.1	62.1%
Cedars Sinai Medical Center	6.8		64	6,711	19,325	52.8	82.5%
Olympia Medical Center*	7.8		-	-	-	-	-
Kaiser Foundation Hospital - Los Angeles*	12.4		27	2,564	4,626	12.6	46.8%
Little Company of Mary Medical Center*	18.3		22	2,851	7,660	20.9	95.1%
Torrance Memorial Medical Center*	20.2		28	3,253	9,498	26.0	92.7%
LAC/Harbor-UCLA Medical Center*	21.6		-	-	-	-	-
TOTAL			241	22,528	63,823	174.4	72.4%

Source: OSHPD Disclosure Reports, 2012

*Unaudited

- Excluding the Kaiser facility, hospitals within the service area have a combined occupancy rate of nearly 75%. Santa Monica-UCLA Medical Center, (75%) has limited capacity while Ronald Reagan UCLA Medical Center (98%) has no additional capacity. Any reduction to the number of obstetrics beds available at the Hospital could impact the availability and accessibility of obstetric services; and
- Those hospitals that fall outside of the service area, but still provide obstetrics services to the service area residents, also have high occupancy rates. Cedars (83%), Providence Little Company of Mary Medical Center-Torrance (95%) and Torrance Memorial Medical Center (93%) are all limited in their ability to accommodate more obstetrics volume based on 2012 OSHPD figures.

Neonatal Intensive Care Unit Capacity Analysis

As shown below, the occupancy rate for neonatal intensive care unit services for the service area hospitals is nearly 60% based on 80 licensed beds.

NEONATAL INTENSIVE CARE BEDS 2012							
Hospital	Miles from Hospital	Within Service Area	Licensed Beds	Discharges	Patient Days	Average Daily Census	Percent Occupied
Saint John's Health Center*	-	X	18	129	1,802	4.9	27.4%
Santa Monica-UCLA Medical Center	0.5	X	16	114	3,070	8.4	52.4%
Ronald Reagan UCLA Medical Center	3.6	X	29	383	10,229	27.9	96.4%
Marina del Rey Hospital*	5.3	X	-	-	-	-	-
Brotman Medical Center*	6.1	X	-	-	-	-	-
Kaiser Foundation Hospital - West Los Angeles*	6.6	X	17	224	2,114	5.8	34.0%
SUB-TOTAL			80	850	17,215	47.0	58.8%
Cedars Sinai Medical Center	6.8		45	468	9,527	26.0	57.8%
Olympia Medical Center*	7.8		-	-	-	-	-
Kaiser Foundation Hospital - Los Angeles*	12.4		33	427	7,301	19.9	60.4%
Little Company of Mary Medical Center*	18.3		34	232	3,687	10.1	29.6%
Torrance Memorial Medical Center*	20.2		25	273	4,996	13.7	54.6%
LAC/Harbor-UCLA Medical Center*	21.6		35	59	3,390	9.3	26.5%
TOTAL			252	2,309	46,116	126.0	50.0%

Source: OSHPD Disclosure Reports, 2012

*Unaudited

- Excluding Kaiser, only three hospitals in the service area offer neonatal intensive care unit services with a combined occupancy rate of over 65%;
- The Hospital has 18 licensed neonatal intensive care beds, making up approximately 23% of the service area neonatal intensive care beds, with a reported occupancy rate of approximately 27%. Ronald Reagan UCLA Medical Center has an occupancy rate of approximately 97% and Santa Monica-UCLA Medical Center has an occupancy rate of 52%;
- The Hospital reported approximately 129 inpatient hospital discharges and 1,800 patient days, resulting in an average daily census of 5 patients; and
- If the Hospital's neonatal intensive care unit beds were removed from the community, the overall occupancy rate of service area hospitals would increase to over 90% (excluding Kaiser). Therefore, the Hospital's neonatal intensive care unit beds are important to area residents and reductions to their number at the Hospital could impact the availability and accessibility of such services.

Emergency Department Capacity Analysis

Many experts believe that because of the Affordable Care Act providing greater insurance coverage and a shortage of primary care physicians and other factors, hospital emergency departments will continue to have at least similar or even increased utilization. The current shortage of primary care physicians will continue to increase due to retirements, and as a result, more patients will utilize the emergency departments for their primary care needs.

The table below shows the visits by category for area emergency departments:

EMERGENCY DEPARTMENT VISITS BY CATEGORY 2012												
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Minor	Low/Moderate	Moderate	Severe w/o Threat	Severe w/ Threat	Percentage Admitted	Hours of Diversion
Saint John's Health Center	-	X	Basic	24	29,576	3,177	5,855	12,292	5,764	2,488	22.35%	0
Santa Monica-UCLA Medical Center	0.5	X	Basic	21	36,237	4,851	4,915	8,971	9,809	7,691	16.2%	445
Ronald Reagan UCLA Medical Center	3.6	X	Comprehensive	33	43,309	4,442	4,088	9,140	11,283	14,356	20.2%	2,996
Marina del Rey Hospital	5.3	X	Basic	15	22,310	1,238	3,438	4,415	8,714	4,505	13.6%	258
Brotman Medical Center*	6.1	X	Basic	17	25,015	1,048	10,805	6,108	6,304	750	24.5%	69
Kaiser Foundation Hospital - West Los Angeles	6.6	X	Basic	38	66,615	182	4,440	50,080	10,256	2,657	8.7%	1,146
SUBTOTAL				148	223,062	14,938	33,541	91,006	52,130	32,447	16.2%	4,914
Cedars Sinai Medical Center	6.8		Basic	51	81,943	4,616	10,372	20,384	19,815	26,756	28.1%	847
Olympia Medical Center	7.8		Basic	16	24,034	573	4,056	10,694	5,588	3,123	16.2%	230
Kaiser Foundation Hospital - Los Angeles	12.4		Basic	45	72,405	506	9,256	50,618	9,991	2,034	12.4%	4,523
Little Company of Mary Medical Center	18.3		Basic	29	66,946	2,564	4,148	19,726	18,475	22,033	19.2%	482
Torrance Memorial Medical Center	20.2		Basic	29	62,330	187	3,352	22,758	20,861	15,172	22.5%	0
LAC/Harbor-UCLA Medical Center	21.6		Basic	46	74,681	231	2,724	38,879	21,085	11,762	18.9%	4,384
TOTAL				364	605,401	23,615	67,449	254,065	147,945	113,327	18.7%	15,380

Source: OSHPD Alirns Annual Utilization Reports

- The Hospital has 24 emergency department stations and is classified as "basic". In 2012, the Hospital had over 29,000 visits, accounting for 13% of the total visits among area hospitals (over 223,000 total visits);
- Service area emergency departments had nearly 5,000 hours of diversion with approximately 3,000 of these hours attributable to Ronald Reagan UCLA Medical Center. The Hospital did not have any diverted emergency department traffic in 2012; and
- In 2012, approximately 16% of service area emergency department visits resulted in an inpatient admission.

Industry sources, including the American College of Emergency Physicians, have used a benchmark of 2,000 visits per emergency station/bed to estimate the capacity of an emergency department. Based upon this benchmark, in 2012, the Hospital's emergency department was operating at 62% of its 24-bed capacity. Emergency department capacity at other area facilities is higher, operating at over 80% capacity: Santa Monica-UCLA Medical Center (86.3%), Kaiser Foundation Hospital-West Los Angeles (87.7%), and Cedars (80.3%).

EMERGENCY DEPARTMENT CAPACITY 2012							
Hospital	Miles from Hospital	Within Service Area	ER Level	Stations	Total Visits	Capacity	Remaining Capacity
Saint John's Health Center	-	X	Basic	24	29,576	48,000	18,424
Santa Monica-UCLA Medical Center	0.5	X	Basic	21	36,237	42,000	5,763
Ronald Reagan UCLA Medical Center	3.6	X	Comprehensive	33	43,309	66,000	22,691
Marina del Rey Hospital	5.3	X	Basic	15	22,310	30,000	7,690
Brotman Medical Center*	6.1	X	Basic	17	25,015	34,000	8,985
Kaiser Foundation Hospital - West LA	6.6	X	Basic	38	66,615	76,000	9,385
SUBTOTAL				148	223,062	296,000	72,938
Cedars Sinai Medical Center	6.8		Basic	51	81,943	102,000	20,057
Olympia Medical Center	7.8		Basic	16	24,034	32,000	7,966
Kaiser Foundation Hospital - LA	12.4		Basic	45	72,405	90,000	17,595
Little Company of Mary Medical Center	18.3		Basic	29	66,946	58,000	(8,946)
Torrance Memorial Medical Center	20.2		Basic	29	62,330	58,000	(4,330)
LAC/Harbor-UCLA Medical Center	21.6		Basic	46	74,681	92,000	17,319
TOTAL				364	605,401	728,000	122,599

Source: OSHPD Airls Annual Utilization Reports

- Approximately 22% of the Hospital's emergency department visits resulted in admission;
- Total emergency department visits have remained relatively unchanged since 2011; and
- Overall, service area hospitals' emergency departments are at approximately 75% capacity.

SUMMARY OF INTERVIEWS

In October and November of 2013, both in-person and telephone interviews were conducted with representatives of the Hospital, the Sisters, and Providence, physicians, health plan representatives, and others. The lists of interviewees are in the Appendices. The purpose of the interviews was to gather information from area healthcare professionals and community members regarding potential impacts on healthcare availability or accessibility as a result of the proposed change in governance between Saint John's and Providence. The major findings are summarized below.

Reasons for the Proposed Transaction

Those interviewed cited a number of reasons for the transaction including the following:

- The Hospital would continue to struggle financially and would not be sustainable in the longer term because the Sisters would not have the ability to fund debt and future capital requirements for all of its hospitals including the Hospital. The best interests of patients and the community will be met by finding a suitable health system to assume control of the Hospital;
- The Sisters have no other facilities in California and so are less able to provide centralized, support and administrative services that would be available if the Hospital were part of a system with a local presence;
- The 2010 Federal Patient Protection and Affordable Care Act is changing the provider payment model for healthcare services to encourage better coordination, higher quality, and lower cost. In response, many hospitals, health systems, physicians, and others are forming partnerships and “integrated delivery systems” to develop the resources and expertise to successfully adjust to these changes. As the initiatives of the 2010 Federal Patient Protection and Affordable Care Act encourage “population health management” and lower costs, providers are developing broad geographic coverage and a coordinated approach for delivering comprehensive healthcare services. The Hospital is not positioned to be successful in its market as a stand-alone hospital given these trends;
- A few of those interviewed characterized the Hospital as a “hospital to the stars” and a “concierge hospital” that needed to have new leadership that would make the services more broadly available to those in the communities that are less affluent;
- The Hospital is increasingly isolated in a highly competitive market and not supported by a broad enough integrated physician network to be successful in the future; and
- Competitors have been aggressive and successful in recruiting physicians and patients away from the Hospital. Without significant strategic investments, the Hospital's market position will continue to erode.

Selection of Providence for the Affiliation Transaction

Based on an extended process of assessment of long term strategic direction, Saint John's and the Sisters concluded that the Hospital needed to become formally affiliated with a nonprofit health system. Members of the Hospital's management team and board members interviewed indicated that a number of factors were considered in making the selection of Providence for the transaction including the ability for the Hospital to:

- Continue the Hospital's Catholic Ministry;
- Meet its charitable purposes;
- Become part of a healthcare system that has inpatient and outpatient facilities and physician networks in the Los Angeles area;
- Participate in accountable care organizations;
- Become part of a system that has managed care contracting capabilities;
- Become part of a system that has support and administrative capabilities;
- Continue current supportive relationships with employees, medical staff, Foundation members, and the Cancer Institute;
- Continue the services provided by the Hospital and the Cancer Institute;
- Invest in future growth and development; and
- Repay internal debt to the Sisters and external bond debt.

Two other proposals were submitted: one from Ascension Health/Daughters of Charity Health System and Dignity Health, and one from the Chan Soon-Shiong Institute for Advanced Health.

The majority of people interviewed were supportive of the desire to have a different affiliation from the Sisters. Most of those interviewed thought Providence was the best selection and the organization that would be most likely to meet the aforementioned factors.

A small number of those interviewed were concerned about, but only a couple were opposed to, the selection of Providence for the following reasons:

- Providence may reduce staffing and other costs, negatively impacting patient care;
- Providence may diminish or discontinue its specialty services because of duplication at its other hospitals or because of its partnership with other providers (e.g., City of Hope);

- Providence did not make any commitment to continue services, charity care, or community benefits in the Affiliation Agreement or in the application to the Attorney General; and
- The proposal by the Chan Soon-Shiong Institute for Advanced Health offers a better opportunity to continue the current mission of the Hospital and also become more of a destination center for specialty services (e.g., cancer and neurosurgery).

Views expressed only once, and each by different individuals, include the following:

- Providence will bring a medical foundation style of medicine, negatively impacting the physician-patient relationship;
- The further consolidation of the healthcare market into large nonprofit healthcare systems will result in undue market leverage to get higher provider reimbursement, thereby, making services less affordable for patients;
- The evolution of “narrow networks” by healthcare systems may limit consumer choice and increase cost for healthcare service;
- The Hospital may lose its culture of providing customized attention and a concierge type of service; and
- The Hospital would be more viable and more successful as a stand-alone hospital.

Importance of the Hospital to the Community

According to all those who were interviewed, the Hospital is a very important provider of healthcare services to the local community and known internationally for select specialty services and the research of the Cancer Institute. After Cedars, the Hospital has the largest market share of hospital inpatient discharges in its service area. Santa Monica-UCLA Medical Center and the Hospital, located less than a mile apart, are both licensed for 266 beds. Santa Monica-UCLA Medical Center operates at capacity with an overall occupancy rate of 77%. Ronald Reagan UCLA Medical Center, located 4 miles away, frequently runs over capacity at an average occupancy of 96% and is frequently on diversion. The Hospital is of critical importance for the provision of healthcare services to area residents. Interviewees believe that the Hospital is especially important for its emergency services, women’s services, and other services provided by its different Institutes, Centers of Excellence, and other programs and services. Services that were mentioned as important include the following:

- Obstetrics and Neonatal Intensive Care Unit;
- Cancer services, including the Brain Tumor Center, Melanoma Program, Endocrine and Bone Disease Program, and Thoracic Surgery Program;

- The Margie Petersen Breast Center;
- The John Wayne Cancer Institute;
- Orthopedic services;
- Cardiac services;
- Neurosurgery;
- The Cleft Palate Center;
- Hip and Pelvis Institute;
- Spine Center; and
- Child and Family Development Center.

If the Hospital did not maintain its current level of healthcare services, accessibility and availability problems could be created.

Expectations of the Change of Governance

Many interviewed mentioned their understanding of the goals of the affiliation including:

- Operate as a Catholic sponsored ministry;
- Become part of a regionally integrated delivery system within Southern California;
- Attain additional efficiencies due to scale and size;
- Develop supportive hospital-physician alignment strategies to recruit and retain physicians;
- Invest in new services and models of care such as “population health management” and “medical homes”;
- Partner with healthcare payers, insurance companies, and employers in new models of accountable care;
- Negotiate better contracts for services, equipment, supplies, and other operational expenses;
- Transition to an Epic information technology platform;

- Enhance access to capital; and
- Negotiate more favorable managed care contracts.

While there was significant agreement regarding the intentions of the affiliation, there was little awareness among most of those interviewed of Providence's specific plans or commitments to action that would achieve these goals.

Views of Regional Health Plan Representatives

Those interviewed expressed an understanding of the reasons for the affiliation and believed that the selection of Providence was the best choice. The health plan representatives did not believe that the affiliation would result in a significant change in services or healthcare quality at the Hospital. They also indicated that Providence added increased knowledge and sophistication to the managed care contracting process that would improve the stability of contracts and the development of population health programs with the Hospital. Health plan relationships have been positive and strong to date and are expected to continue. This is in contrast to the health plan relationships with other major Southern California health systems that are often more difficult.

Impact on the Availability and Accessibility of Healthcare Services

Almost all interviewed believed that the affiliation would not have a negative overall impact on the availability or accessibility of healthcare services. In fact, it was believed that the affiliation with Providence would stabilize the Hospital's services, operations, and finances including new capital investment. It was also believed that Providence would bring new managed care contracts and improved access for patients the Hospital has not served, such as for managed care Medi-Cal patients.

Only a couple of people interviewed expressed concerns that the cost of healthcare may increase, quality may decrease, some services may be eliminated, and that community benefits and charity care contributions could be reduced.

Other Issues of the Affiliation

A small number of those interviewed believed that the transaction was not at fair market value and the community may be deprived of proceeds from the sale.

ASSESSMENT OF POTENTIAL ISSUES ASSOCIATED WITH THE AVAILABILITY OR ACCESSIBILITY OF HEALTHCARE SERVICES

Continuation as a General Acute Care Hospital

None of the parties to the transaction expect that there will be any reductions in the availability or accessibility of healthcare services. It is expected that as a result of the transaction, the Hospital will continue to operate as a nonprofit hospital in much the same manner as in the past.

Emergency Services

The Hospital's emergency department, with 24 emergency treatment stations and approximately 30,000 visits in 2012, is at 62% of capacity. The Affordable Care Act will result in more individuals obtaining health insurance and this, along with a growing shortage of primary care physicians and other factors, is expected to further increase emergency department utilization in the service area. Keeping the Hospital's emergency department open is critical to providing adequate emergency services in the service area.

Medical/Surgical Services

With 196 licensed medical/surgical beds and an average daily census of approximately 104 patients, the Hospital is an important provider of these services. The occupancy rates of Santa Monica-UCLA Medical Center (83%), Ronald Reagan UCLA Medical Center (96%) and Cedars (84%) indicate that available capacity for medical/surgical beds at the major providers of healthcare services in the service area is limited.

Intensive Care/Coronary Care Services

The Hospital has an occupancy rate of 56% on its 23 licensed Intensive Care Unit/Coronary Care Unit beds. These services are an important resource for supporting the emergency department and other surgical and medical services. Service area hospitals are running at a combined occupancy rate of nearly 80%. In 2012, Santa Monica-UCLA Medical Center, located less than a mile from the Hospital, and Ronald Reagan UCLA Medical Center, located 3.6 miles from the Hospital, ran at an occupancy rate of nearly 104% and 97%, respectively. Reductions in Intensive Care Unit/Coronary Care beds at the Hospital could impact services at these two local facilities.

Obstetrics Services

The Hospital has an occupancy rate of 59% on its 29 obstetrical beds, with an average daily census of 17 patients. With nearly 2,000 deliveries, the Hospital is an important obstetrical service provider for the service area. The Hospital is the second largest provider of obstetrical services with approximately 20% market share. Any reduction in the number of the Hospital's obstetrical beds could have an adverse effect on healthcare services to the service area.

Neonatal Intensive Care Services

The Hospital operates 18 licensed neonatal intensive care unit beds (23% of area beds) with a relatively low occupancy of approximately 27%. Excluding Kaiser, only two other hospitals offer neonatal intensive care unit services in the service area and ran at a combined occupancy rate of over 65%. Ronald Reagan UCLA Medical Center had an occupancy rate of approximately 97% and Santa Monica-UCLA Medical Center had an occupancy rate of 52%. Though the Hospital operates at a low occupancy rate, it is an important provider of these services.

Reproductive Health Services

The Hospital is an important provider of a range of healthcare services for women. Some women's reproductive health services are prohibited by the Ethical and Religious Directives of the Catholic Church including abortions and tubal ligations. Since the Hospital will be transferring Catholic sponsorship from Leaven Ministries to Providence Ministries, it will continue to adhere to the Ethical and Religious Directives. As a result, there will be no changes to the provision of these services at the Hospital.

Effects on Services to Medi-Cal, County Indigent, and Other Classes of Patients

Approximately 48% of the Hospital's inpatients are reimbursed through Medicare (46.0%) and Medi-Cal (2.2%). Approximately 8% of the population in the Hospital's service area is eligible for Medi-Cal (low compared to the statewide average of 19%). Medi-Cal patients in Los Angeles County access healthcare through the local initiative plan or private commercial plan. LA Care Health Plan is the local initiative plan for Los Angeles County. Medi-Cal beneficiaries can choose LA Care Health Plan or one of the contracting partners that include Blue Cross of California, Care 1st, Community Health Plan, and Kaiser Permanente. The private commercial plan for Medi-Cal patients is provided by Health Net Community Solutions, Inc., that also has a partnership contract with Molina Healthcare.

The Hospital does not currently have a contract with LA Care Health Plan or Health Net to treat Medi-Cal patients. The Hospital's payer mix of Medi-Cal patients is low at 2.2%. Providence does participate in the Medi-Cal managed care program, and has contracts with both LA Care Health Plan and Health Net of California.

Because the Hospital does not currently have a Medi-Cal contract, the affiliation will not have a negative impact to the access for Medi-Cal patients. However, access may be improved for Medi-Cal patients if Providence extends its contracts to the Hospital.

Effects on the Level and Type of Charity Care Historically Provided

The Hospital has historically provided charity care, averaging approximately \$2.8 million per year over the last five years (on a cost basis). The Hospital has made a commitment to adopt the same charity care policy applicable to Providence healthcare facilities in Los Angeles County. The Providence charity care policy is more favorable than the Hospital charity care policy and provides financial coverage to a greater number of those in need. While the Hospital is likely to continue providing similar levels of charity care, Providence has not made any commitment in the Affiliation Agreement.

Effects on Community Benefit Programs

The Hospital has historically provided a significant amount of community benefit services, averaging \$3.4 million per year over the last five years (on a cost basis). While the Hospital is likely to continue providing similar community benefit services, Providence has not made any commitment in the Affiliation Agreement.

Effects on Staffing and Employee Rights

It is anticipated that Providence will recruit new medical staff and expand services at the Hospital. As a result, it is likely that the number of employees will increase.

As a result of the affiliation, the employees of the Hospital and its affiliates who are in good standing will continue to be employed by them, except for those employees who become employees of Providence. No employee will be terminated from employment solely because of, or as a direct result of, the affiliation. However, Providence will have the right to terminate any employee, or engage in staff reductions or consolidations at any time, to the extent that such actions adhere to current policies, procedures, employment agreements and legal requirements. Following the closing of the transaction through December 31, 2014, non-union employees will be provided with pay and benefits that are similar to those they were receiving ninety days prior to the closing of the transaction. After this date, non-union employees are expected to receive pay and benefits based on Providence's compensation and benefit plans.

Effects on Medical Staff

As a result of the affiliation, no changes to the Hospital's medical staff are expected. Providence will make no changes to the medical staff officers or the department or committee chairs/heads or vice-chairs/heads, or the independence of the Hospital's medical staff.

Alternatives

If the proposed transaction were not approved it is likely that the Hospital would seek another healthcare system or purchaser. Because the affiliation is not being driven by short term strategic or financial necessity, it could also continue to operate indefinitely under its current structures.

CONCLUSIONS

Overall, the proposed change in governance of Saint John's with Providence is likely to improve the availability and accessibility of healthcare services in the community served. It is anticipated that access for Medi-Cal, uninsured patients, and other classes of patients will either remain unchanged or improve. Furthermore, Providence's plan to develop and expand population health models should lead to improvements in the healthcare delivery system and reduce the rate of healthcare cost increases.

Potential Conditions for Transaction Approval by the California Attorney General

The following recommended actions for approval have been developed as a result of this analysis and the factors that the Attorney General considers in determining whether to consent to a transaction as set forth in Corporations Code section 5923 and section 999.5 of Title 11 of the California Code of Regulations. If the California Attorney General approves the proposed transaction, Medical Development Specialists, LLC recommends that the following conditions be required in order to minimize any potential negative health impact that might result from the transaction:

- 1) For at least five years from the closing date of the transaction, the Hospital should continue to operate as a general acute care hospital;
- 2) For at least five years from the closing date of the transaction, the Hospital should maintain 24-hour emergency medical services at no less than current licensure (24 treatment stations) with the same types and levels of services;
- 3) For at least five years from the closing date of the transaction, the Hospital should maintain the following services at current licensure, types, and levels of services:
 - a. Critical Care Services, including a minimum of 23 intensive care unit beds;
 - b. Neonatal Intensive Care Unit services, including a minimum of 12 beds;
 - c. Obstetric Services, including a minimum of 29 beds;
 - d. Cardiac Services, including the cardiac catheterization lab, and the designation as a STEMI Receiving Center;
 - e. Women's Health Services, including The Margie Petersen Breast Center; and
 - f. Cancer Services; and
 - g. The Cancer Institute.
- 4) For at least five years from the closing date of the transaction, the Hospital should maintain a charity care policy that is no less favorable than the Hospital's current charity care policy and the Hospital should provide an annual amount of Charity Care equal to or greater than \$2,814,939 (the "Minimum Charity Care Amount"). For purposes herein, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by the Hospital in connection with the operations and provision of services at the Hospital . The definition and

methodology for calculating “charity care” and the methodology for calculating “cost” shall be the same as that used by OSHPD for annual hospital reporting purposes. The minimum Charity Care Amount will be increased on an annual basis by the rate of inflation as measured by the Consumer Price Index for Los Angeles-Riverside-Orange County, California;

- 5) For at least five years from the closing date of the transaction, the Hospital should continue to expend an average of no less \$3,374,251 annually in community benefit services. This amount should be increased annually based on the Consumer Price Index for Los Angeles-Riverside-Orange County, California. The following community benefit programs should be maintained with the same or greater level of donations and in-kind services currently being provided:
 - a. The Venice Family Clinic;
 - b. The Ocean Park Community Center;
 - c. The Westside Family Health Center; and
 - d. The Cleft Palate Center Clinic.
- 6) For at least five years from the closing date of the transaction, the Hospital should maintain participation in the Medi-Cal and Medicare programs;
- 7) For at least five years from the closing date of the transaction, the Hospital should continue to maintain operations at the Child and Family Development Center with the same level and types of services; and
- 8) Providence must comply with the \$100 million “Ongoing Capital and Operational Support” set forth in section 8.9 of the Affiliation Agreement.

Recommended Action

If the California Attorney General approves the proposed transaction, Medical Development Specialists, LLC recommends that the preceding conditions be required in order to minimize any potential negative health impact that might result from the transaction.

APPENDICES

List of Interviewees

Last Name	First Name	Position	Affiliation
Alfaro	Jonathan	Market Director, Southern California, Network Management	Aetna
Ault	Lee	Foundation Finance Committee Chair	Foundation
Barker	Lindsay	Emergency Management Manager/Safety Officer/Community Ombudsperson	Hospital
Bellasalma	Patty	President	California NOW
Bilchik, MD	Anton	Professor of Surgery, Chief of Medicine, Interim Chief of Science	Cancer Institute
Clark	Megan	Director of Emergency Services	Hospital
Daley	Gerry	Labor Representative,	California Nurses Association
Davila	Juan	Executive VP Health Care Quality Affordability	Blue Shield of California
Enriquez	Manuel	Vice President, Southern California, Network Management	Humana
Fallon, MD	Sandra	Chair, Cardiovascular QI Committee	Hospital
Feinberg, MD	David	President, UCLA Health System	UCLA Health System
Forrester	Shawn	Vice President, Southern California, Network Management	Aetna
Goldman	Allan	Former Foundation Chair	Foundation
Harding	Barry	Acting Chief Financial Officer	Hospital
Hendel	Dawna	CNO and Vice President of Patient Care Services	Hospital
Hunn	Michael	Senior Vice President and Regional Chief Executive	Providence
Jumonville	Lydia	Chief Financial Officer	Sisters
Kelly, MD	Daniel	Director, Brain Tumor Center & Pituitary Disorders Program	Cancer Institute
Kerr	Katie	Director, Saint John's Health Clinic and The Doctors of Saint John's Medical Group (MDSJ)	Hospital
Kino, MD	Russ	Medical Director, Department of Emergency Services	Hospital
Klein	Robert	Vice President, Foundation & Health Center Relations	Hospital
Luthy	Mary	Director of Community Benefits	Hospital
Maceri	John	Executive Director	Ocean Park Community Center
Meehan	Kenneth	Acting Chief Operating Officer	Hospital
Modabber, MD	Ramin	Chief of Orthopaedic Surgery	Hospital
Mok	Michelle	Former Chief Financial Officer	Hospital
Munoz	Santiago	Chief Strategy Officer	UCLA Health System
Noonan	George	Interim VP Mission and Ethics	Hospital
O'Brian	Jenny	Director of Grants & Evaluation	Venice Family Clinic
Phillips, MD	Albert	Medical Director, Women's Health Services	Hospital
Ponce	Martha	IT Site Director	Hospital
Refuerzo	Rebecca	Director	Child and Family Development Center
Robertson, MD	John	Medical Director, Thoracic and Cardiovascular Surgery	Hospital
Siebert	Gregory	Vice President, Network Management	UnitedHealthcare
Slubowski	Mike	President & CEO	Sisters
Soon-Shiong, MD	Patrick	Chairman	Chan Soon-Shiong Family Foundation
Sorotzkin, MD	Ruth	President, The Doctors of Saint John's Medical Group (MDSJ)	Hospital
Tanemori	Roxanne	Senior Planner	City of Santa Monica
Tuttle	Donna	Current Chair, Foundation Trustees	Foundation
Wall	Mike	Acting President and CEO	Hospital
Weinburger	Terry	Vice President, Mission & Ethics	Sisters
Zamora	Anita	Chief Operating Officer	Venice Family Clinic
Zuanic	Irena	Administrative Director, Women's Health Services	Hospital

*Some of those interviewed wished to remain anonymous and are not listed.

Hospital License

License: 930000158

Effective: 11/01/2013

Expires: 10/31/2014

Licensed Capacity: 266

State of California

Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

this License to

Saint John's Hospital and Health Center

to operate and maintain the following **General Acute Care Hospital**

SAINT JOHN'S HEALTH CENTER

2121 Santa Monica Blvd
Santa Monica, CA 90404-2303

Bed Classifications/Services

266 General Acute Care
29 Perinatal
23 Intensive Care
18 Intensive Care Newborn Nursery
196 Unspecified General Acute Care

Other Approved Services

Audiology
Basic Emergency
Cardiovascular Surgery
Nuclear Medicine
Occupational Therapy
Outpatient Services - Ambulatory Surgery
Center at 2020 Santa Monica Blvd., Suite
140, Santa Monica
Outpatient Services - Child/Family
Development at 1339 - 20TH STREET,
SANTA MONICA
Outpatient Services - Hip and Pelvis Institute at
2001 Santa Monica Blvd., Suite 1090, Santa
Monica
Outpatient Services - Kerlan Jobe Orthopaedic
Clinic at 2001 Santa Monica Blvd., Suite
1060, Santa Monica
Outpatient Services - Laboratory at 2021 Santa
Monica Blvd., Suite 101, Santa Monica
Outpatient Services - MRI Services at 2042
SANTA MONICA BLVD., SANTA MONICA
Outpatient Services - Orthopaedic and Sport
Medicine at 2020 Santa Monica Blvd., Suite
400, Santa Monica
Outpatient Services - PT/OT/Speech Therapy
at Performance Therapy, 2020 Santa
Monica Blvd., Suite 401, Santa Monica
Physical Therapy

(Additional Information Listed on License Addendum)

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and
Certification, L.A. County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731,
(626)569-3724

POST IN A PROMINENT PLACE

State of California
Department of Public Health
License Addendum

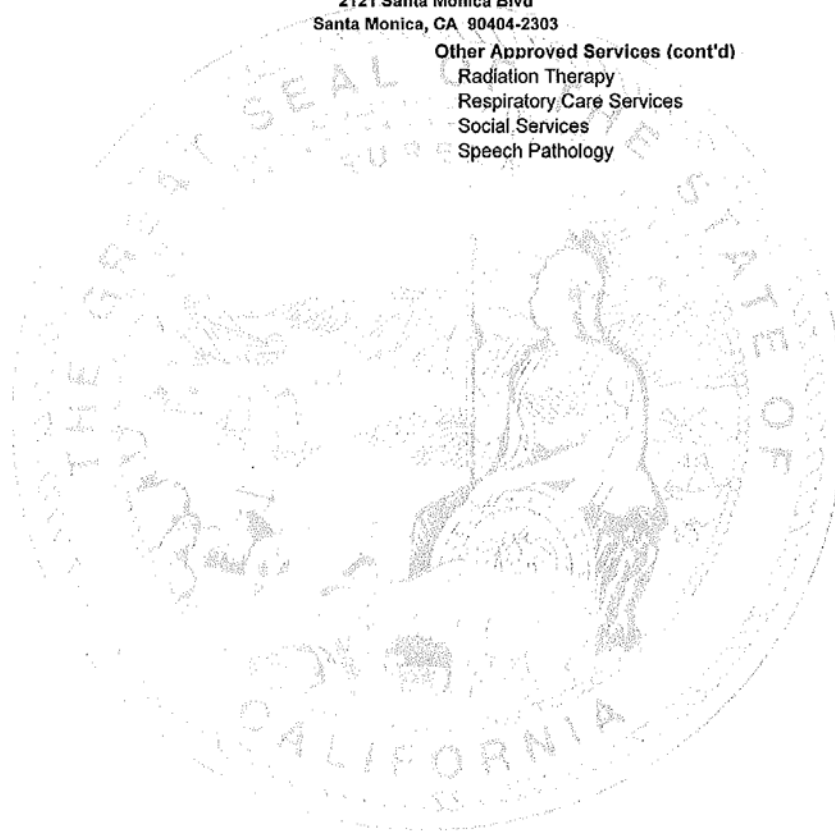
License: 930000158
Effective: 11/01/2013
Expires: 10/31/2014
Licensed Capacity: 266

SAINT JOHN'S HEALTH CENTER (Continued)

2121 Santa Monica Blvd
Santa Monica, CA 90404-2303

Other Approved Services (cont'd)

Radiation Therapy
Respiratory Care Services
Social Services
Speech Pathology



This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:
None

Ron Chapman, MD, MPH

Director & State Health Officer

Kannika Phinyo

Kannika Phinyo, RN, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A. County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)569-3724

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